COLLEGE OF
THE PACIFIC
9504
FEB 1 1920
LIBRARY
HB
103
S656
330
Sec 2

ADAM SMITH AND MODERN SOCIOLOGY

ADAM SMITH
AND
MODERN SOCIOLOGY

A Study in the Methodology of the Social Sciences

BY
ALBION W. SMALL
Author of "General Sociology"

Chicago: The University of Chicago Press
London: T. Fisher Unwin, 1 Adelphi Terrace
1907

COPYRIGHT 1907 BY
THE UNIVERSITY OF CHICAGO

Published October 1907

COLLEGE OF
THE PACIFIC

FEB 1 1920

LIBRARY

Composed and Printed By
The University of Chicago Press
Chicago, Illinois, U. S. A.

9504
HB 103 S656

PREFACE

This book is a fragment which I hope will some time find its place in a more complete study of the relations between nineteenth-century social sciences and sociology.

The larger investigation is in progress in my seminar, and results are already in sight which justify belief that the work will not be without value.

On the purely methodological side, this investigation was stimulated, if not originally suggested, by experiences in connection with the St. Louis Congress of Arts and Science.

In all departments of progressive knowledge, the second half of the nineteenth century was unique in its intensive development of scientific analysis. It is not probable that scholars will ever permanently appraise the importance of analysis below their present estimates, but it is certain that we are entering an era of relatively higher appreciation of synthesis.

The most distinctive trait of present scholarship is its striving for correlation with all other scholarship. Segregated sciences are becoming discredited sciences.

The sociologists are aware that sterility must be the fate of every celibate social science. Cross-fertilization of the social sciences occurs in spite of the most obstinate programs of non-intercourse. Commerce of the social sciences with one another should be deliberate, and it should make the policy of isolation disreputable.

An objective science of economics without an objective sociology is as impossible as grammar without language. The present essay attempts to enforce this axiom by using Adam Smith as a concrete illustration.

On the purely human side, unintelligence or misintelligence about the part that falls respectively to economic and to sociological theory in the conduct of life is a moral misfortune. However quixotic it might be to hope that either of these forms of theory might be popularized to any great extent in the near future, ambition to make economists and sociologists understand each other a little better is not altogether indefensible.

Incidentally this book does what it can to offset the harm, more costly to the misled than to the misrepresented, that ill-report has done to economics and economists. The economists who have been written down as procurers to men's most sordid lusts have been, as a rule, high-minded lovers of their kind. The most abused of

them—Smith, Malthus, Ricardo, Mill—devoted themselves to economics partly because they were genuine philanthropists. They set themselves the task of blazing out the path that leads to material prosperity, and of warning as fully as possible against side-tracks that would end in a fool's paradise.

If economic theory has at times tended to take on the character of a shopkeeper's catechism, and at other times to become a mere calculus of hypothetical conditions, the general fact is not changed, that intelligent conduct of life must always presuppose an adequate science of economics.

The economists and the sociologists are studying the real conditions of life from different angles of approach. They are already learning to make use of each other's methods and results. The investigation of which this book is a partial report is in the interest of a more conscious and systematic partnership.

The study in which the book is an initial step starts out with the perception that nineteenth-century economic theory was at bottom an attempt to discover the principles of honorable prudence, not to codify a policy of predatory greed. Economic theory became socially sterile through paresis of its conviction that morality is more

than prudence. When we shall have learned to reckon with the accredited results of economic analysis, in genuine correlation with equally reputable results of psychological and sociological analysis, we shall have advanced a stadium of intelligence similar to that which was covered in assimilating the discovery that physical science is not atheism. If we can begin to interpret the progress of the social sciences since Adam Smith as, on the whole, an enlargement and enrichment of the entire area of moral philosophy, in which the preserve of economic theory was the most intensively cultivated field, we shall have done a service for the next generation. We have been seeing these things out of their relations. It is possible to furnish our successors with more accurate clues.

A comment upon the table of contents will partially explain the task which the book undertakes as a portion of a larger task to be reported upon in later volumes.

Titles III–VII, inclusive, must not be understood as promises of systematic treatment of the material actually within their scope. On the contrary, they are merely formulas for classifying those materials in the parallel portions of *The Wealth of Nations*, in which the problems of economics and sociology are intertwined. The

titles indicate in a general way the large problems of methodology which the corresponding portions of Smith's treatise implicitly, but not explicitly, raise. The very fact that the discussion under those titles, on the basis of Smith's own analysis, contains hardly more than a hint of the whole range of problems which the titles now suggest, serves to carry the argument that economic technology, abstracted from the rest of social science, leaves yawning hiatuses in our knowledge.

A. W. S.

JUNE 10, 1907

TABLE OF CONTENTS

	PAGE
I. Introduction	1
II. The Sources	25
III. The Economics and Sociology of Labor	79
IV. The Economics and Sociology of Capital	155
V. Economic vs. Sociological Interpretation of History	181
VI. The Problems of Economic and of Sociological Science	189
VII. The Relation of Economic Technology to Other Social Technologies, and to Sociology	209
VIII. Conclusion	235

I

INTRODUCTION

If one were to come upon *The Wealth of Nations* for the first time, with a knowledge of the general sociological way of looking at society, but with no knowledge of economic literature, there would be not the slightest difficulty nor hesitation about classifying the book as an inquiry in a special field of sociology.

Under those circumstances there would be no doubt that the author of the book had a fairly well-defined view, though not in detail the modern view, of the general relations of human society, and of the subordinate place occupied objectively, if not in conventional theory, by the economic section of activities to which the book was devoted.

On its first page the reader would get hints of the outlook in the mind of the author, and it would not be hard to construct from those hints a perspective which would contrast very directly with certain points in the view that afterward stole into vogue among classical economists and working capitalists.

Sombart [1] has made a very strong statement

[1] *Moderne Kapitalismus*, Vol. I, pp. 196, *et passim*.

of the fact that the era of modern capitalism differs from earlier industrial epochs in something far deeper than mere methods of doing business. He points out that the dominant motive for doing business has changed. The controlling purpose of modern business is to increase the volume and enlarge the power of *capital.* Capital for its own sake, and for the social power it confers, is the standard of modern economic life.

On the other hand, capital has never been to any great degree an end in itself until the last three centuries, and particularly since the industrial revolution at the end of the eighteenth century. Previous to that time the idea of wealth, in the minds of rich and poor alike, was that it was worth having only to *spend.* Men wanted wealth because they wanted to *consume* it, not because they wanted to *capitalize* it. In other words, their whole philosophy of life, whether it was expressed in their economic actions or in abstract theory, was to the effect that the *life* was more than the *things;* that people and their needs were the end-end, while wealth was merely a means-end.

Whatever the influence of Adam Smith's work may have been, one cannot study his philosophy as a whole, even in the fragment of it that has come down to us, without being certain that his

basic positions were clearly and positively the human rather than the capitalistic principles. The author of *The Wealth of Nations* did not assume that the service of capital was the goal of economic activity. On the contrary, he assumed that all economic activity was, as a matter of course, a means of putting people in possession of the means of life.[2]

Furthermore, to state the same fact in a little different way, Smith assumed that the whole value of economic activities was to be decided by their effects on consumption. That is, instead of putting the *production of wealth* in the forefront, as the most significant measure of economic processes, he evidently, at least in his fundamental theory, regarded the production of wealth as merely incidental to the consumption of wealth. His whole moral philosophy—or, as we should say today, his sociology—was the ultimate evaluator of all production and consumption; that is, the human process, as it was analyzed and

[2] Thus, in the "Introduction" to Book IV of *The Wealth of Nations,* he says: "Political Economy, considered as a branch of the science of a statesman or legislator, proposes two distinct objects; first, to provide a plentiful revenue or subsistence for the people, or more properly to enable them to provide such a revenue or subsistence for themselves; and secondly, to supply the state or commonwealth with a revenue sufficient for the public services. It proposes to enrich both the people and the sovereign.

synthesized by moral philosophy, was judged to be the tribunal of last resort for verdict upon the economic process.

This has most certainly not been the perspective of nineteenth-century political economy as a whole, so far as England is concerned. To speak figuratively, then, the apostolic succession in social philosophy from Adam Smith is through the sociologists rather than the economists. The sociologists have kept alive the vital spark of Smith's moral philosophy. They have contended for a view of life in terms of persons rather than in terms of technology. That is, they have put *persons* in the center of their picture of life, and have assigned a subordinate place to the theory of those technical activities which deal with the material products of persons. The economists are the separatists and heresiarchs, in exaggerating the importance of a technology till it has overbalanced, in social doctrine, the end to which it is normally tributary.[3]

If we did not know that Smith's economic philosophy was merely a division of his sociology, the beginning of his *Wealth of Nations* would

[3] Throughout this essay I speak of the classical political economy as though it were still dominant in England and the United States. I leave to a later essay the modifications which are necessary in order to make the generalizations fit subsequent developments in economic theory.

seem to be very abrupt. As a matter of fact, there is no abruptness, because the preliminaries which have to be understood as an introduction to the book have to be supplied from what we know of his general philosophy.[4] For our purposes it is unnecessary to ask how adequate Smith's view of human life was, according to the ideas of present sociology. It is enough that the moral order was the inclusive concept in his philosophy, while the economic process was the included and tributary concept. In so far as eco-

[4] This initial proposition not only contains nothing new, but it repeats the invariable conclusion of all who have given attention to Smith's whole system of thought. As Hasbach has rather caustically hinted (*Untersuchungen,* p. 20), this primary fact seems to have been duly observed by everyone but the economists! It was pointed out distinctly enough by Dugald Stewart in 1793, and it has been recognized by nearly every writer on Smith who does not confine attention merely to his economic doctrines. For example, Oncken (*Smith und Kant,* Leipzig, 1877) remarks (p. 16): "Es sind Glieder eines Systemes der praktischen oder Moral-Philosophie in ihrem Gesammtumfange, und man wird der Arbeit des Urhebers nicht gerecht, wenn ein Glied selbständig herausgehoben wird, um es unabhängig für sich einer weiteren Ausbildung zu unterwerfen. Ethik, Politik und Oekonomik, so lautet die Trias, welche den Inhalt der Smith'schen Philosophie bildet. . . . . Diese Dreitheilung ist dem schottischen Meister übrigens nicht einmal original. Sie hat sich langsam aus dem Entwickelungsgange der praktischen Philosophie seit ihren Anfängen im Alterthum herausgebildet, und war im vorigen (18ten) Jahrhundert allgemein üblich." Variations of the same conclusion might be cited in large numbers.

nomic theory has obscured and beclouded this view, it is an aberration, rather than an orderly extension of social science. This is always the case when a theory of means overshadows the theory of the ends which the means should serve.

The opening paragraph of Smith's introduction is strictly consistent with these claims, viz.:

> The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always either in the immediate produce of that labour, or in what is purchased with that produce from other nations.

This passage invokes a picture of a nation consuming the products of its annual labor. The inquiry is, in a word: How may the aggregate wealth available for consumption be made as great as possible? There is no reference to accumulation, to increase of capital. That comes later, in its proper place. The center of interest is the nation of consuming persons. How may they have the most of the things which they need to consume in order to be the most prosperous persons? We are in danger of being branded as enemies of our kind, if we bring to light the distance economic theory and practice have drifted from this anchorage. Today the main question is: How may the social machinery for grinding

out capital be made most efficient? The clause is not consciously added, "regardless of its effects upon men;" but the extent to which this clause actually vitiates the temper and program of theoretical and applied economics really constitutes the central social problem of our epoch.

This opening paragraph also supports the belief that frank repetition of some of Smith's confident presumptions would today place men well along in the way toward extreme socialism. No modern trade-union leader, at any rate, is more sure than Adam Smith was that labor is the original source of wealth. The difference is that Smith took it for granted, while the modern laborer has to fight against jealous denial of this most rudimentary economic truth. Today capital is not always content even to share honors with labor. Capital often goes so far as to claim superior virtues in the productive process, and to imply priority of right to the output. This perversion has not merely crept into economic practice, but it is written large between the lines of much economic theory. We shall see that this is in a considerable degree a change that marks secession from the moral presumptions upon which Smith's economic theories were based.

Assuming, then, the homely fact that a nation is a collection of persons needing consumable

goods in order to proceed with the other things that are of subsequent and superior importance, and in view of the fact that the produce of the nation's labor is a dividend that has to be shared by all the population, Smith in effect asks the frankly technical question: *How may the labor of the nation be so applied that the dividend will be as large as possible, and that the quotient for each sharer may thus amount to a sufficient supply of the fundamental material necessities?*

In this question there is no suggestion nor implication of the attitude of aloofness toward the larger questions of social or moral science which later became characteristic of economic theory and practice. There is no hint that the question can be answered independently of the preliminary analysis of the moral world; nor that answering the question about the commissary department of life solves all the essential problems of life. On the contrary, the question which *The Wealth of Nations* proposes is as frankly special and technological as though it had been: *How may the sewage of Great Britain, that now goes to waste, be saved and made valuable in fertilizing agricultural land?*

While the two questions are far from coordinate, Adam Smith's philosophy no more thought of making the question dealt with in *The*

Wealth of Nations the central question of society, than it would have proposed to put the question of utilizing sewage in that position. On the contrary, the dependence of thought in his system was implicitly this: Human beings have a moral or social destiny to work out. Nations are units of effort in accomplishing that destiny. The people who compose a nation have the task of finding out appropriate ends of life, of learning what are the conditions which must be satisfied in reaching those ends, and of realizing the ends by getting control of the necessary means. As the life-problem of individuals and nations presented itself to Adam Smith's mind, it was, as we shall later see more in detail, first, a problem of religion; second, a problem of ethics; third, a problem of civil justice; fourth, a problem of economic technique.

Without stopping to take issue with this classification, it is enough for our purpose to insist upon the main fact that the classification, crude as it is, and prescribed indeed by the traditions of the chair of moral philosophy from which Smith taught it, puts the actual interests of life more nearly in their essential relations than they were afterward in economic theory until the sociologists began to move for a restoration of the balance. Adam Smith turned from study of social

life in its largest relations to intensive study of one of the techniques by which the processes of life are sustained. If economic theory remains in the position of logical subordination which it occupied in Adam Smith's system, it is an indispensable portion of social philosophy. In so far as it occupies a different position, unless it can justify itself as a larger moral philosophy, it does just so much to confuse and disturb the theory and practice of life.

We shall see, as we analyze the later economists from the standpoint of this essay, that two things are true: first, the so-called classical economists of England gave an emphasis and a proportion to economic theory that wrenched it arbitrarily from the just position which it occupied in Adam Smith's philosophy; second, the German economists, during the greater part of the nineteenth century, followed traditions which in spirit, if not in form and detail, were much nearer to Adam Smith than to the later classical English economists. The latter succeeded in overcasting the whole social sky with their science, and made it "dismal," by temporarily obscuring the more fundamental science in which the economic theory of Adam Smith had its setting.

To repeat, the most significant movement in thought during the present generation is a return

to a basis of moral philosophy, in perspective rather than in content like that upon which Adam Smith rested his economic reasonings. To detect the serious mistake, and to recover the essential value of nineteenth-century economics, it is necessary to make as clear as possible the contrast between the true perspective of economic theory as a portion of moral science, as it was recognized by Smith, and the fallacious aspect of economics, as both corner-stone and key-stone of moral science, in classical theory, culminating in John Stuart Mill. It should be added that, while Mill represents the extreme aberration of economic theory from its proper center in moral science, it would not be far from the facts to say that his chapter on the future of the laboring classes marks the beginning of the return to Adam Smith's basis.[5]

In order to locate more distinctly the point of departure from which Adam Smith started, it is well to make a careful note of what is involved in his own general outline of *The Wealth of*

[5] See J. S. Mill, *Political Economy,* Book IV, "Influence of the Progress of Society on Production and Distribution." These chapters, rather than the single one referred to, may be called the watershed between the abstract and the sociological tendencies in British political economy.

I shall elsewhere discuss the title of Cliffe Leslie to some of this credit.

Nations. It demonstrates beyond a doubt that we described it in a way that he would have accepted, if the present meaning of the phrase had been explained to him, when we called it a purely technological inquiry which had its methodological place as a subordinate division in his whole social philosophy.

Having observed that the proportion of products to the number of persons among whom they must be divided tells the story of better or worse supply of necessaries and conveniences,[6] Smith adds that in general this proportion must be regulated in every nation by two different circumstances:

First, by the skill, dexterity, and judgment with which its labor is applied;

Second, by the proportion between the number of those who are employed in useful labor and those who are not so employed.

This word "useful," or its synonym "productive," is very innocent in the early stages of economic argument. Smith probably had little premonition of the Pandora's box of theoretic evils that it contained.[7] We need not hesitate to

[6] P. 1.

[7] Cf. J. S. Mill, *Political Economy,* Book I, Chap. II, and especially Chap. III, Sec. 1, on distinction between "productive" and "non-productive" labor. Also Mill's essay on the same subject.

accept it here just as he meant it. In a word, it is a very simple proposition that, other things being equal, that nation will have the most products to consume which contains the largest proportion of people who make themselves "useful" in producing consumable products. He did not mean to imply that this was the only way of being "useful" in a larger sense.

Smith further observes in this connection that the abundance or scantiness of material goods seems to depend more on the former condition than on the latter, and his reason for thinking so is contained in the contrast between the savage tribe, in which each individual is compelled by the rigors of life to employ himself directly or indirectly in food-getting, yet poverty is universal, and the civilized nation, in which many live in comparative idleness, while wealth is relatively abundant.

The *first book* of *The Wealth of Nations* is devoted to analysis of the above fact; viz., to search for the causes of this improvement in the productive powers of labor, "and the order, according to which its produce is naturally [*sic*] distributed among the different ranks and conditions of men in the society."

With something of Casca's jealousy, we might stop to inquire: What should be in this "natur-

ally"? It is a word which, of course, takes us back to the Physiocrats, and it presently lends itself to all the illusions of liberty in the classical conceptions of free competition; but that will also come later. Whether Smith was right or not in his assumptions of the particular natural processes underneath the visible social processes, he was attempting in this first book to carry out an inquiry that was as purely technological, as distinguished from moral, as an inquiry by bacteriologists into the differences, and the reasons for the differences, between the water of a mountain-stream and that of a millpond.

Economic theory later became involved in moral assumptions, analogous with questions about the title to property in the stream or the millpond. We shall see, not only that those assumptions begged fundamental questions in sociology, but that theoretical and practical economists of the classical school even tabooed the discussion of those assumptions. The prohibition was almost as rigid as the exclusion of the subject of slavery from debate in Congress for the last decade before the Civil War. Thus the classical economics, in defiance of all logic, forgot its strictly technological character, and assumed the function of an arbiter of morals. This central fact in British economic history makes it neces-

sary for everyone who is concerned with current moral questions to be thoroughly familiar with the disturbing influences which the classical economics exerted upon investigation of moral questions.

At this point I merely repeat that economic theory, as represented by Adam Smith, was strictly amenable to the logical demands of moral theory in the large. Our present task is to make this initial fact perfectly plain by analyzing the technological character of Smith's work. With this analysis as a background it will be possible to make clear the unconscious slipping of classical economic theory from the necessary moral moorings.

In the *second book* Smith treats "of the nature of capital stock, of the manner in which it is gradually accumulated, and of the different quantities of labor which it puts into motion, according to the different ways in which it is employed."[8]

The reasons for considering this subject are, in Smith's own words, that "the number of useful and productive laborers is everywhere in proportion to the quantity of capital stock which is employed in setting them to work, and to the particular way in which it is so employed."[9]

Again, this inquiry, in the form proposed by Smith, is as strictly technological as the question

[8] Pp. 2, 3. [9] P. 2.

whether a lock canal will in the end furnish the best and cheapest transportation through the Isthmus of Panama. No one would today be unable to see that the latter question belongs in a class entirely apart, and with an entirely different rank in the moral scale, from the question whether the United States government had dealt justly with the former sovereigns of Panama, or the questions that will arise later about justice in the rules to be made for use of the canal by foreign nations. We should never think of confusing these engineering questions, or of supposing that the men who plan the construction of the canal are the authorities who should be allowed to dictate the international law code which should govern the use of the canal. Yet something very like these impossible alternatives has been the implicit claim of classical economics. So far as the sociologists are related to the economists at all, it is not in questioning their competence to take care of their own problems, any more than the international lawyers would claim competence to solve the proper problems of the engineers. The contention of the sociologists with reference to the economists is that the function of the latter is more nearly analogous with that of the engineer than with that of the legislator, while the sociologist has a brief for the other interests, over and

above the technological, which the legislator is bound to consider.

We may call attention, in passing, to the squint toward the Malthusian problem, and the "wage-fund theory," which our knowledge of later developments enables us to detect in the formulation of the last chapter of Book II.

Book III attempts to explain historically the different plans which nations have adopted in applying labor power, and the reasons why the different policies have had different degrees of success in securing a relatively large output, and particularly the reasons why European policy since the fall of the Roman Empire has inclined in favor of the urban rather than the rural types of industry. This again is a strictly analytical inquiry. It is logically analogous with an investigation of the policy of the United States since the adoption of the Constitution with reference to public lands; or a comparison of our public policy toward rivers and harbors, with our treatment of railways, and the actual effects of the same. All this, in either case, would furnish important data for problems of morals. In so far as effects upon persons, rather than upon things, could be traced in either case, the respective policies would come into the moral realm.

The friction between economic and moral

theory has always been generated in part by the assumption that the policy which was judged to be profitable economically must for that reason alone be accepted as justified morally. Whenever this assumption has had effect in any degree, the tendency has been to obscure the boundary lines between economics as a technology, and moral philosophy, or sociology, as discoverer of a standard of life to which economic technology must be conformed.

In *Book IV* Smith attempts to explain the different economic theories which have been consciously or unconsciously behind the different policies discussed in Book III.

This purely historical inquiry, of a different sort from that pursued in Book III, may be compared with a history of political, or philosophic, or religious creeds. The facts in either case all have a certain ultimate value in showing what the political, or philosophic, or religious creed of living men should be. Primarily, however, they are mere exhibits of the actual workings of men's minds in the past. They show the conceptions by which they were influenced. They have no moral value for us whatsoever, except as we have some moral criterion by which to judge whether, or in what sense and degree, either of these previous creeds correctly interpreted the essential meanings of life.

In other words, there is no more moral quality or force in a mere exhibit of what men in the past have believed about economics, than there is in their beliefs about ornaments, or weather signs, or geography. The history either of economic processes or of economic theories furnishes some of the material for a theory of morals. It does this because both economic theories and economic processes perforce deal more or less with persons, as well as with wealth. In so far as economic theories or processes have to do with persons, they are to that extent positive or negative judgments of those values which are lodged in persons; in other words, of moral values. So long as we are considering such past judgments merely as facts, accounting for economic action, the inquiry is as strictly technological as a chemical inquiry into the effects of alcohol, for instance, upon various physiological conditions. It is a question beyond the competence of physiologist or chemist, as such, what on the whole should be the policy of nations or of individuals with reference to the manufacture and use of alcohol. So far as Adam Smith planned his inquiry into the history of economic theory, he was apparently free from the confusion which sprang up later about the bearings of the inquiry.

In the *fifth and last book* of *The Wealth of Nations* Smith treats of the revenues of the state,

as distinguished from the wealth created by the labor of the people of the nation and held by them as individuals. This again is a subject which, on the one hand, is purely a matter of fact as to the operation of a certain part of civic machinery. On the other hand, it borders first on another department of technology, viz., civic administration, and, second, on a whole realm of moral questions. The thought of the nineteenth century has been kept seething by varieties of opinions about the bearing which purely technical and material aspects of the situation should have upon decisions of major and minor moral questions as to the functions of government, and the choice between this and that scheme of administration, in discharging the functions.

In his announcement of this fifth book Smith shows very plainly his moral sympathies. For the first time he distinctly proposes to discuss the "ought" of the case. He thereby has recourse to his larger moral philosophy. Our present discussion is in no sense a challenge of the propriety of this last phase of Smith's argument. On the contrary, in his main scheme of method he is to be held up as a model of the scientific order of procedure in arriving at judgments of morals. He is at the same time a striking contrast with some of his successors. He first derived his con-

ception of life in the large. Then he analyzed one of the great divisions of activity within the whole scheme of life. On this basis he attempted to decide what human programs should be adopted with reference to the wealth element among human interests. This order and spirit of procedure, enlarged and specialized, is the methodology for which the modern sociologists are contending. The economic theory and practice of the nineteenth century in England, at least until the younger Mill's time, tended farther and farther away from Smith's standard. The history of this apostasy is one of the most instructive approaches to a sane and convincing sociology.

Before we set out upon the work of justifying this proposition, it may be well to indicate more precisely the point of view from which we are to judge economic theory.

In a word, sociological analysis, so far as it has gone at present, has reduced human life on its psychical side to evolution of types of interests, evolution of types of individuals, and evolution of types of association between individuals. Without injecting any *a-priori* interpretation whatsoever into these phenomena, we find that they are the elements in which psychology and sociology and ethics find their ultimate problems. Moral philosophy, whether it is the conscious and

deliberate system in the academic mind, or the instinctive presumptions back of the catch-as-catch-can practice of the man on the street, is a reckoning with these primary facts in the human lot. Considered as activity alone, without introducing valuations of any sort, human life is at last the evolution of types of interest, and types of individuals, and types of interrelation between individuals. Each term in this analysis is an indefinitely inconstant variant of each of the other terms. That is, interests and individuals and associations are reciprocating terms in a widening and ascending series of causes and effects. The evolution of interests and individuals and associations is thus a more or less coherent process; and it is unsafe to assume that we have found the meaning of any greater or lesser part of the process until we have made out the whole story of its connections with all the rest of the process. Every moral philosophy is presumptively a science of this whole process of moral evolution. Sociology, in its largest scope, and on its methodological side, is merely a moral philosophy conscious of its task, and systematically pursuing knowledge of cause and effect within this process of moral evolution.

The inevitable *a priori* with which every attempt at knowledge must begin is, in this case,

a judgment of the question: On the whole, is it better to have faith in this process of moral evolution and to enlist in it for all we are worth, or to distrust it and desert it or resist it? Assuming that our moral philosophy or sociology has chosen the former alternative, then our task of interpretation is to explain every human motion or collection of motions by all that we can find out of its functional meaning within the whole cosmos of movements which make up the process of moral evolution. Valuations enter into this supreme attempt to understand, as into all the lesser attempts to understand, from the beginnings of infant reflection. The form of the valuation always is: What is the worth of the part of the process in question, as related to all the rest of the process which can be brought into calculation?

Applying these generalities to the case in hand, the question which the sociologist is always implicitly asking of the economist is: To what extent are you making your analyses and passing your valuations of economic activities as though they were bounded by the wealth interest alone, and to what extent do your analyses and valuations take account of the whole process of moral evolution within which the wealth interest is an incident? Economic theory, in England and

America, throughout the nineteenth century, made the wealth interest unduly prominent in the process of moral evolution, and thereby introduced confusion into the whole scale of moral valuation. The present essay makes a beginning of showing this in detail. The principal methodological thesis which the exhibit is to support is that a sufficient interpretation of life to be a reliable basis for social programs must express economic relations at last in terms of the whole moral process. This is true of political economy in so far as it purports to be more than a technology of things. To the degree in which political economy proposes to establish norms for evaluating the activities of persons, it must answer to the whole moral process in which all the activities of persons derive their meaning.

II

THE SOURCES

Having thus sketched the argument of this book, I proceed to develop it somewhat in detail. As a further preliminary, I take the precaution to state specifically that I am not trying to do over again either of various things that have already been done by students of Adam Smith. This disclaimer may be expanded in the form of a brief account of the sources of our knowledge of Adam Smith.

I. This book is not a biography of Adam Smith.

Until 1895 the chief source of information, accessible to the general reader, about Adam Smith, outside of his published works, was the brief and rather dilettantish account written by Dugald Stewart. This paper was read by Stewart before the Royal Society of Edinburgh on two evenings of 1793. It was published under the title, *Account of the Life and Writings of Adam Smith*, with additional notes, in 1810. It is now to be found in Hamilton's edition of the *Complete Works of Dugald Stewart*, Vol. X; also in the same volume of the "Bohn Library"

which contains Smith's *Theory of Moral Sentiments.*

In 1895 Mr. John Rae published a biography which appeared to have exhausted the visible supply of information about Adam Smith the man.[1]

If the additions of fact were not extensive, there were certainly corrections of interpretation, partly by the help of Cannan's "find"[2] in the briefer biography by Hirst which appeared nine years later.[3] If we may characterize the attitude of Hirst, it is that of a confessed admirer of Smith, with a desire to represent him sympathetically and fairly, not merely as the author of two or three books, nor as a philosopher, but as a man among men. The two closing pages draw a vivid and rather effective pen-picture. The argument of the book is compressed into the final paragraph:

> Of his contemporaries, the nearest perhaps in spirit are Turgot and the younger Burke, the Burke of the American Revolution, and of Free Trade and of Economical Reform. But Burke and even Turgot were in a certain sense men of the past. Though their radiance can never fade, their influence wanes. But Smith has issued from the seclusion of a professorship of morals, from the

[1] John Rae, *Life of Adam Smith* (London, 449 pages).

[2] Cf. below, p. 59.

[3] Francis W. Hirst, *Adam Smith* (London, 1904; 240 pages).

drudgery of a commissionership of customs, to sit in the council-chamber of princes. His word has rung through the study to the platform. It has been proclaimed by the agitator, conned by the statesman, and printed in a thousand statutes.

The purpose of the present inquiry makes no demand for biographical evidence beyond that which these sources contain.

2. THIS BOOK IS NOT AN ATTEMPT TO LOCATE THE PRECISE PLACE OF ADAM SMITH IN THE DEVELOPMENT OF THOUGHT IN GENERAL.

That task has been undertaken and performed, with a large measure of success, by Hasbach.[4]

In an introduction of fourteen pages, Hasbach analyzes Adam Smith's fundamental philosophical conceptions, and in the body of his work he traces the lines of relationship between the different divisions of Smith's philosophy and his predecessors.

In general philosophy, he assigns Smith to the school of Shaftesbury and Hartley, and interprets him also in connection with Butler, Hutcheson, and Hume.

[4] *Untersuchungen über Adam Smith, und die Entwicklung der politischen Oekonomie,* von Dr. Wilhelm Hasbach, ausserordentlichen Professor an der Universität Königsberg (Leipzig, 1891; 440 pages). Cf. above, p. 5.

In political economy, Hasbach draws lines of relationship chiefly between Smith and the succession of writers—Hugo Grotius, Pufendorf, Christian Wolff, Hutcheson, and the Physiocrats.

In the science of finance, Hasbach finds it more difficult to trace Smith's direct antecedents. He finds himself embarrassed by the lack of an adequate history of the science of finance, and refers to the bibliographical suggestions in the treatment of the subject by Cossa, Roscher, Stein, Umpfenbach, and Wagner.[5] He declines to attempt a sketch of the history of finance, but discusses instead these questions: first, How shall we estimate what Smith did in the science of finance as compared with Justi, who preceded him in Germany, but with whose work Smith was probably not acquainted? and, second, How shall we compare Smith's work with that of those predecessors from whose writings he produced a new science?

In general methodology, Hasbach relates Adam Smith to three previous tendencies, viz.: (1) the exponents of deduction—Descartes, Thomas Hobbes, and the Physiocrats; (2) the exponents of induction—Bacon, Hutcheson, Hume, and Montesquieu; (3) the combination

[5] *Loc. cit.*, p. 241.

of deduction and induction in the system of James Stewart. Thereupon follows a brief examination of Smith's own methodology. Hasbach's book is an extremely helpful propaedeutic for the study of Smith, but our inquiry takes a quite different direction.[6]

3. This essay is not an attempt to draw a minute comparison between Smith's thought and any other selected system of philosophy.

This has been done in one notable case by Oncken.[7]

Of Oncken's monograph it must be said that it is of inferior importance to our inquiry, not merely because our search takes a different direction, but because no investigation of the type represented by Oncken's essay can be of first-rate value. It is a comparison between two systems of thought, both of which have performed their chief service in the world by furnishing the

[6] Bonar, *Philosophy and Political Economy,* Chap. VIII, makes a similar attempt to place Smith in the philosophic series.

[7] *Adam Smith und Immanuel Kant; der Einklang und das Wechselverhältniss ihrer Lehren über Sitte, Staat und Wirthschaft.* Dargelegt von Dr. August Oncken, Docent der Staatswirthschaft an der K. K. Hochschule für Bodenculture zu Wien. Erste Abtheilung, "Ethik und Politik" (Leipzig, 1877; 276 pages). Cf. above, p. 5.

stimulus for maturer thought. Oncken's performance is not wholly unlike a solemn comparison of the architecture of two castles in the air. What matters it how we decide? While we are reaching our conclusions the castles have vanished and their architecture has no meaning. Detached systems of thought, set over against each other solely as rival exhibits of the handiwork of the mind, are merely archaeological specimens almost as soon as they are turned out of their authors' brains. How one system compares with another in mere static self-consistency is a problem only a trifle higher in the scale of importance than the question how different types of pottery compare with each other. Smith or Kant or any other philosopher is of general interest only as a factor in the whole system of factors that work together in the human advance from ignorance to knowledge.

Oncken reaches a conclusion to which the evidence will hardly carry less sanguine readers. He expects to be taken seriously when he sums up his estimate of both Kant and Smith in a description which would exactly fit the "Socialists of the Chair," of the date at which he wrote![8] Without

[8] His résumé of the argument is in these words: Der Staat Smith's ist der nämliche wie der Staat Kant's. Beide Lehren, im Einzelnen lückenhaft, bilden doch in ihren Zu-

extending the generalization to Kant, we have already noticed, and we shall have occasion to observe still further, that Smith uttered opinions which, abstracted from the circumstances, might easily be interpreted as onsets of socialism. It is even conceivable that his views might have developed with the progress of events, so that, if he had lived until the third quarter of the nineteenth century, his political opinions might have been more like Adolph Wagner's than Herbert Spencer's. When Oncken goes beyond that and represents Smith as holding a definitely thought-out program of the state, radically con-

sammenhalte einen einzigen vollständigen Gedankenbau, der nicht blos der edelste Ausdruck ihres Zeitalters ist, sondern der in der Hauptsache diese Zeit sogar weit überragt. Entgegen der damals tonangebenden individualistischen Aufklärungsphilosophie, welche jede Autorität und jede zwangsmässige Verpflichtung an das Gemeinwesen abwies, ist der Staat Smith's wie derjenige Kant's der moderne Staat der allgemeinen Wehrpflicht und des Schulzwanges, ja er beschränkt sich namentlich bei Smith nicht auf die Erhaltung des starren Rechtszustandes, sondern auch die positive Wohlfahrts- und Wirthschaftspflege sowie die Interessen der Volksveredlung werden in seine Aufgabe hereingezogen. Mit einem Worte, es ist der lebendige, geistesmächtige Culturstaat, zu welchem das wirthschaftliche Denken unserer Tage wie aus der Verbannung in die Heimath zurückkehrt, nachdem ihm die staatlose Begriffswelt der Manchesterschule und des gesammten politischen Radikalismus unerträglich geworden ist." (*Loc. cit.*, p. 276.)

trasted with that of the Manchester School, the sobriety of his judgment ceases to be impressive.

4. This book is not an attempt to justify the content of Adam Smith's moral philosophy.

The essential matter is not what he thought about the particular nature of moral relations, but that he conceived of human society as subject to moral law of some sort, and of this moral law as more authoritative over the members of society collectively and severally than the precepts of prudence. It is necessary to exhibit at some length the evidence on which this proposition rests.

The chief witness on the subject of Adam Smith's general moral system is Mr. Millar, once a pupil of Smith, later professor of law in the University of Glasgow, and an intimate friend of Smith until his death. I quote Millar as reported by Dugald Stewart.[9]

> About a year after his appointment to the Professorship of Logic, Mr. Smith was elected to the Chair of Moral Philosophy. His course of lectures on this subject was divided into four parts. *The first contained Natural Theology;* in which he considered the proof of the being and attributes of God, and of those principles of the human mind upon which religion is founded.

[9] *Account,* etc. (Bohn ed.), p. xvii.

The second comprehended Ethics, strictly so called, and consisted chiefly of the doctrines which he afterwards published in his *Theory of Moral Sentiments.* In the third part, he treated at more length *that branch of morality which related to justice,* and which being susceptible of precise and accurate rules, is for that reason capable of a full and particular explanation.

Upon this subject he followed the plan that seems to be suggested by Montesquieu; endeavoring to trace the gradual progress of jurisprudence, both public and private, from the rudest to the most refined ages, and to point out the effects of those arts which contribute to subsistence, and to the accumulation of property, in producing correspondent improvements or alterations in law and government. This important branch of his labors he also intended to give to the public; but this intention, which is mentioned in the conclusion of the *Theory of Moral Sentiments,* he did not live to fulfil.

In the last part of his lectures, he examined *those political regulations which are founded not upon the principles of justice, but that of expediency, and which are calculated to increase the riches, the power and the prosperity of a State.* Under this view, he considered the political institutions relating to commerce, to finances, to ecclesiastical and military establishments. What he delivered on these subjects contained the substance of the work he afterwards published under the title of *An Inquiry into the Nature and Causes of the Wealth of Nations.*

Of the first part of the course little is known, and that little may easily be interpreted rather ingloriously. In his lifetime these disparaging

opinions were not silent. They seem to have fallen early out of tradition, but the suggestion of them is revived by Haldane.[10]

He remarks:[11]

> Of what Smith taught in that first part of his fourfold course at Glasgow . . . . we have no authentic record; but there is abundant internal evidence that it could not have been anything either very definite, or that committed him very deeply.

He then broadly hints that Smith held theological views similar to Hume's, but did not dare to divulge them in a Scotch university. Although evidence is lacking that Smith was made of martyr stuff, Haldane's innuendo does not seem justified. The greater probability is that Smith's mind was relatively indifferent to metaphysics, and that he did not strongly grip the questions which the philosophy of his time raised with reference to that substratum of philosophy. As I shall argue later, he shows more virile affinity for the utilitarians than for the *a-priori* philosophers. It is not unlikely that the real

[10] *Life of Adam Smith*, by R. B. Haldane, M.P. (London, 1887); with a bibliography by John P. Anderson of the British Museum; 161+x pages. The bibliography is the really valuable portion of the book.

[11] P. 20.

energy of his thinking springs from his ethics rather than from his theology.[12]

Turning to the second division of Smith's moral philosophy, or ethics, it is a gymnastic feat of no little difficulty to put ourselves long enough in the mental attitude of Smith and his contemporaries to understand the quaint classification which served their purposes. Although Dugald Stewart was a pupil of the men to whom these classifications appealed, he evidently had his own troubles with them. At the same time his version of them is helpful. I quote his analysis before speaking of the treatise to which it must be applied.[13]

> The science of Ethics has been divided by moderns into two parts; the one comprehending the theory of Morals, and the other its practical doctrines. The questions about which the former is employed are chiefly the two following: *First,* by what *principle* of our constitution are we led to form the notion of moral distinctions: —whether by that faculty which, in the other branches of

[12] Hirst, *Adam Smith,* Chap. III, is worth consulting on this point. Although he would probably have resented Haldane's slur, if it had been in his mind when he wrote, he throws something into that side of the scale. A faint light is shed on this subject by Part III, Chap. V, of *Theory of Moral Sentiments.* (Cf. below, p. 43, and also pp. 53, 54.)

[13] D. Stewart, Account, etc., *of the Theory of Moral Sentiments,* p. xix.

human knowledge, perceives the distinction between truth and falsehood; or by a peculiar power of perception (called by some the Moral Sense) which is *pleased* with one set of qualities and *displeased* with another?

Secondly, What is the proper *object* of moral approbation? or, in other words, what is the common quality or qualities belonging to all the different modes of virtue? Is it benevolence; or a rational self-love; or a disposition (resulting from the ascendency of Reason over Passion) to act suitably to the different relations in which we are placed? These two questions seem to exhaust the whole theory of Morals. The scope of the one is to ascertain the origin of our moral ideas; that of the other, to refer the phenomena of moral perception to their most simple and general laws.

The practical doctrines of morality comprehend all those rules of conduct which profess to point out the proper ends of human pursuit, and the most effectual means of attaining them; to which we may add all those literary compositions, whatever be their particular form, which have for their aim to fortify and animate our good dispositions, by delineations of the beauty, of the dignity, or of the utility of Virtue.

I shall not inquire at present into the justness of this division. I shall only observe, that the words Theory and Practice are not, in this instance, employed in their usual acceptations. The theory of Morals does not bear, for example, the same relation to the practice of Morals, that the theory of Geometry bears to practical Geometry. In this last science all the practical rules are founded on theoretical principles previously established. But in the former science, the practical rules are obvious to the capacities of all mankind [*sic*]; the theoretical principles

form one of the most difficult subjects of discussion that have ever exercised the ingenuity of metaphysicians. . . . .

According to Mr. Hume, all the qualities which are denominated virtuous are useful either to ourselves or to others, and the pleasure which we derive from the view of them is the pleasure of utility. Mr. Smith, without rejecting entirely Mr. Hume's doctrine, proposes another of his own, far more comprehensive; a doctrine with which he thinks all the most celebrated theories of morality invented by his predecessors coincide in part, and from some partial view of which he apprehends that they have all proceeded.

Of this very ingenious theory, I shall endeavour to give a short abstract. . . . .

The fundamental principle of Mr. Smith's theory is, that the primary objects of our moral judgments with respect to our own conduct are only applications to ourselves of decisions which we have already passed on the conduct of our neighbour. His work accordingly includes two distinct inquiries, which, although sometimes blended together in the execution of his general design, it is necessary for the reader to discriminate carefully from each other, in order to comprehend all the different bearings of the argument. The aim of the former inquiry is, to explain in what manner we learn to judge of the conduct of our neighbour, that of the latter, to show how, by applying these judgments to ourselves, we acquire a *sense of duty,* and a feeling of its paramount authority over all our other principles of action.

Our moral judgments, both with respect to our own conduct and that of others, include two distinct perceptions; first, A perception of conduct as right or wrong; and secondly, A perception of the merit or demerit of the

agent. To that quality of conduct which moralists, in general, express by the word Rectitude, Mr. Smith gives the name of Propriety; and he begins his theory with inquiring in what it consists, and how we are led to form the idea of it. The leading principles of his doctrine on this subject are comprehended in the following propositions:—

1. It is from our experience alone that we can form any idea of what passes in the mind of another person . . . . by supposing ourselves in the same circumstances with him, and conceiving how we should be affected if we were so situated. . . . . *Sympathy,* or *fellow-feeling* are two synonymous words expressing our tendency so to enter into the situations of other men.

2. A sympathy or fellow-feeling between different persons is always agreeable to both.

3. When the spectator of another man's situation, ... feels himself affected in the same manner . . . . he approves of the affection or passion of this person. . . . .

By the *propriety* therefore of any affection or passion . . . . is to be understood its suitableness to the object which excites it . . . . ; the perception of this coincidence is the foundation of the sentiment of moral approbation.[14]

This citation from Dugald Stewart sufficiently indicates two things: first, that Smith's system was essentially a theory of moral relations; second, that it was a theory the content of which has been outgrown. The most important part of

[14] This passage is a digest of the five sections into which Stewart divides Smith's Moral Theory.

the practical content of the theory may be added in the words of Hirst:[15]

> Every moralist's, even Epictetus's, description of virtue is just, as far as it goes. But Smith claims to have been the first to give any precise or distinct measure by which the fitness or propriety of affection can be ascertained and judged. Such a measure he finds in *the sympathetic feelings of the impartial and well informed spectator*. Here, then, we have the central and peculiar doctrine that stamps with originality Adam Smith's *Theory of Moral Sentiments*.

We may remark, in passing, that the idea of the dispassionate observer served the purpose, in all Smith's later thinking, which the idea of "the on-going of the social process" is beginning to serve in modern dynamic sociology. More than this, if we analyze the notion of the impartial observer, we find that his opinions can be of no objective value unless they correctly reflect the same ultimate standard of judgment which is in view in the concept "on-going of the social process."

No more is necessary for the purpose of the present inquiry. Stewart's exposition serves to show the situation more plainly than it could be seen by brief inspection of Adam Smith's own works. It shows that the second part of Smith's system, or "Ethics," was not intended to be what

[15] *Adam Smith*, p. 56. Cf. above, p. 35.

we now understand by the term. It was by definition first pure metaphysics, and in development partly pure metaphysics and partly amateurish psychology.

By a gradation in which we easily trace a survival of the Cartesian methodology, the series, *first,* Natural Theology, *second,* Ethics, shrank in generality and became increasingly specific in, *third,* the theory of *Justice,* and, *fourth,* the theory of *Prudence.* Whatever we may think about the classification of the two latter subjects, Smith made them rather corollaries or emanations from Ethics. His own treatment of Ethics is to be found in *The Theory of Moral Sentiments.*[16] We may get a bird's-eye view of the system from the titles of its main divisions:

PART I. OF THE PROPRIETY OF ACTION

SECTION I. OF THE SENSE OF PROPRIETY

Chapter I. Of Sympathy.
Chapter II. Of the Pleasure of Mutual Sympathy.
Chapter III. Of the manner in which we judge of the Propriety or Impropriety of the Affections of other Men by their Concord or Dissonance with our own.
Chapter IV. The Same Subject continued.
Chapter V. Of the amiable and respectable Virtues.

[16] First published 1759; i. e., seventeen years before the publication of *The Wealth of Nations.* I quote from the Bohn edition.

Section II. Of the Degrees of the Different Passions which are consistent with Propriety

Chapter I. Of the Passions which take their origin from the Body.

Chapter II. Of those Passions which take their origin from a particular turn or habit of the Imagination.

Chapter III. Of the Unsocial Passions.

Chapter IV. Of the Social Passions.

Chapter V. Of the Selfish Passions.

Section III. Of the Effects of Prosperity and Adversity upon the judgment of mankind with regard to the propriety of actions: and why it is more easy to obtain their approbation in the one state than in the other

Chapter I. That though our sympathy with Sorrow is generally a more lively sensation than our sympathy with Joy, it commonly falls much more short of the violence of what is naturally felt by the person principally concerned.

Chapter II. Of the Origin of Ambition and of the distinction of ranks.

Chapter III. Of the Corruption of our Moral Sentiments, which is occasioned by this disposition to admire the rich and the great, and to despise and neglect persons of poor and mean condition.

PART II. OF MERIT AND DEMERIT; OR, OF THE OBJECTS OF REWARD AND PUNISHMENT

Section I. Of the Sense of Merit and Demerit

Chapter I. That whatever appears to be the proper object of Gratitude, appears to deserve Reward; and that, in the same manner, whatever appears to be the proper

Object of Resentment appears to deserve Punishment.

Chapter II. Of the proper Objects of Gratitude and Resentment.

Chapter III. That where there is no Approbation of the Conduct of the Person who confers the Benefit, there is little Sympathy with the Gratitude of him who receives it; and that, on the contrary, where there is no Disapprobation of the Motives of the Person who does the Mischief, there is no sort of Sympathy with the Resentment of him who suffers it.

Chapter IV. Recapitulation of the Foregoing Chapters.

Chapter V. Analysis of the Sense of Merit and Demerit.

SECTION II. OF JUSTICE AND BENEFICENCE

Chapter I. Comparison of those two Virtues.

Chapter II. Of the sense of Justice, of Remorse, and of the Consciousness of Merit.

Chapter III. Of the utility of this constitution of nature.

SECTION III. OF THE INFLUENCE OF FORTUNE UPON THE SENTIMENTS OF MANKIND, WITH REGARD TO THE MERIT OR DEMERIT OF ACTIONS

Chapter I. Of the causes of this Influence of Fortune.

Chapter II. Of the extent of this Influence of Fortune.

Chapter III. Of the final cause of this irregularity of Sentiments.

PART III. OF THE FOUNDATION OF OUR JUDGMENTS CONCERNING OUR OWN SENTIMENTS AND CONDUCT, AND OF THE SENSE OF DUTY

Chapter I. Of the Principle of Self-approbation and Self-disapprobation.

Chapter II. Of the love of Praise, and of that of Praise-worthiness, and of the dread of Blame, and of that of Blame-worthiness.

Chapter III. Of the Influence and Authority of Conscience.

Chapter IV. Of the nature of Self-deceit, and of the Origin and Use of General Rules.

Chapter V. Of the Influence and Authority of General Rules of Morality, and that they are justly regarded as the Laws of the Diety.

Chapter VI. In what cases the Sense of Duty ought to be the sole principle of our Conduct, and in what cases it ought to concur with other motives.

PART IV. OF THE EFFECT OF UTILITY UPON THE SENTIMENT OF APPROBATION

Chapter I. Of the Beauty which the Appearance of Utility bestows upon all the productions of Art, and of the extensive influence of this species of Beauty.

Chapter II. Of the Beauty which the Appearance of Utility bestows upon the Characters and Actions of Men; and how far the perception of this Beauty may be regarded as one of the original Principles of Approbation.

PART V. OF THE INFLUENCE OF CUSTOM AND FASHION UPON THE SENTIMENTS OF MORAL APPROBATION AND DISAPPROBATION

Chapter I. Of the Influence of Custom and Fashion upon our notions of Beauty and Deformity.

Chapter II. Of the Influence of Custom and Fashion upon Moral Sentiments.

PART VI. OF THE CHARACTER OF VIRTUE

SECTION I. OF THE CHARACTER OF THE INDIVIDUAL SO FAR AS IT AFFECTS HIS OWN HAPPINESS, OR OF PRUDENCE

SECTION II. OF THE CHARACTER OF THE INDIVIDUAL SO FAR AS IT CAN AFFECT THE HAPPINESS OF OTHER PEOPLE

Chapter I. Of the Order in which Individuals are recommended by nature to our care and attention.

Chapter II. Of the Order in which Societies are recommended by Nature to our Beneficence.

Chapter III. Of Universal Benevolence.

SECTION III. OF SELF-COMMAND

CONCLUSION OF THE SIXTH PART

PART VII. OF SYSTEMS OF MORAL PHILOSOPHY

SECTION I. OF THE QUESTIONS WHICH OUGHT TO BE EXAMINED IN A THEORY OF THE MORAL SENTIMENTS

SECTION II. OF THE DIFFERENT ACCOUNTS WHICH HAVE BEEN GIVEN OF THE NATURE OF VIRTUE

Chapter I. Of those systems which make Virtue consist in Propriety.

Chapter II. Of those systems which make Virtue consist in Prudence.

Chapter III. Of those systems which make Virtue consist in Benevolence.

Chapter IV. Of Licentious Systems.

SECTION III. OF THE DIFFERENT SYSTEMS WHICH HAVE BEEN FORMED CONCERNING THE PRINCIPLES OF APPROBATION

Chapter I. Of those systems which deduce the Principle of Approbation from Self-love.

Chapter II. Of those systems which make Reason the Principle of Approbation.
Chapter III. Of those systems which make Sentiment the Principle of Approbation.

Section IV. Of the Manner in which different authors have treated of the practical rules of Morality

With reference to this system of Moral Philosophy, I repeat, first, that the present argument is in no way concerned with supporting its specific contents. In detail it strikes the modern mind as naïve in many ways. The important matter for us is that it was an attempt to state life in the large, in moral terms, and that this attempt drew the broad outlines of the picture of life within which the economic technique afterward analyzed had to find its rating.

In the second place, we should further fortify our argument by pointing out that the main current of moral philosophy in the eighteenth century was essentially non-moral in our modern sense, because it was subjective rather than objective, individual rather than social. Adam Smith was a good illustration of this paradox. His moral philosophy was in the world, but not of the world, in the sense which makes the difference both between speculative and positive morals and between individualistic and social morals. Eight-

eenth-century philosophy attempts to explain the world and its people either from a metaphysical ground outside of the world and people, or from a qualitative analysis of the individual mind. Smith's system of morals, for example, rested on the principle of *approbation* in the mental operations of the individual. For instance, he says:[17]

When we approve of any character or action, the sentiments which we feel are, according to the foregoing system, derived from *four sources,* which are in some respects different from one another. First, we sympathize with the motives of the agent; secondly, we enter into the gratitude of those who receive the benefit of his actions; thirdly, we observe that his conduct has been agreeable to the general rules by which those two sympathies generally act; and, last of all, when we consider such actions as making a part of a system of behaviour which tends to promote the happiness either of the individual or of the society, they appear to derive a beauty from this utility, not unlike that which we ascribe to any well contrived machine. After deducting, in any one particular case, all that must be acknowledged to proceed from some one or other of these four principles, I should be glad to know what remains; and I shall freely allow this overplus to be ascribed to a moral sense, or to any other peculiar faculty, provided anybody will ascertain precisely what this overplus is. It might be expected, perhaps, that if there was any such peculiar principle, such as this moral sense is supposed to be, we should feel it in some particular cases, separated and detached from every other, as we

[17] *Moral Sentiments,* p. 479.

often feel joy, sorrow, hope and fear, pure and unmixed with any other emotion. This, however, I imagine, cannot ever be pretended. I have never heard any instance alleged in which this principle could be said to exert itself alone and unmixed with sympathy or antipathy, with gratitude or resentment, with the perception of the agreement or disagreement of any action to an established rule, or, last of all, with that general taste for beauty and order which is excited by inanimated as well as by animated objects.

In the proposition which the foregoing quotation supports, I believe I have pointed to a more precise location of the ultimate principles of Smith's system than that contained in Ingram's appreciation:[18]

As a moral philosopher Smith cannot be said to have won much acceptance for his fundamental doctrine. That doctrine is, that all our moral sentiments arise from sympathy, that is, from the principle of our nature "which leads us to enter into the situations of other men, and to partake with them in the passions which those situations have a tendency to excite." Our direct sympathy with the agent in the circumstances in which he is placed gives rise, according to this view, to our notion of the propriety of his action, whilst our indirect sympathy with those whom his actions have benefitted or injured gives rise to our notions of merit and demerit in the agent himself.

If I correctly interpret the relations of Smith's psychology to his moral philosophy, he made the

[18] *Encyclopaedia Britannica,* 9th ed., article "Adam Smith."

subjective process, "approbation," arbiter over the social process, "sympathy," and not the reverse.

If we were studying the growth of psychology, instead of the relation of economic to sociological thinking, it would be necessary to devote some further attention to this element in Smith's treatment of the moral sentiments. In brief, the argument is an attempt to get a way of classifying actions in the objective world by finding an order of authority in our affections.

In spite of everything, the argument had to smuggle a value into these moral sentiments from the observed outward effects of the kinds of conduct that stimulated them. The futility and fallacy of this procedure is not even yet very plain to many people. Although Smith denied that a special faculty was the arbiter of moral values, he still held that the standard of moral value was in consciousness rather than in the system of cause and effect which the mind has to interpret. In brief, this eighteenth-century moral philosophy was a non-moral theory of moral values. It was an attempt to appraise social substance in terms of forms of individual appreciation. It was thus a means of classifying social phenomena according to subjective categories and standards. It was not yet on the track of

the quality of social phenomena as determined by their objective effects.

If a single paragraph may be chosen as an index of Smith's method of arriving at a theory of ethical judgments, perhaps one of the most typical is found in Part III, Chapter I, of *Theory of Moral Sentiments:*

> Were it possible that a human creature could grow up to manhood in some solitary place, without any communication with his own species, he would no more think of his own character, of the propriety or demerit of his own sentiments and conduct, of the beauty or deformity of his own mind, than of the beauty or deformity of his own face. All these are objects which he cannot easily see, which naturally he does not look at, and with regard to which he is provided with no mirror which can present them to view. Bring him into society and he is immediately provided with the mirror which he wanted before. It is placed in the countenance and behaviour of those he lives with, which always mark when they enter into, and when they disapprove of his sentiments; and it is here that he first views the propriety and impropriety of his own passions, the beauty and deformity of his own mind. To a man who from his birth was a stranger to society, the object of his passions, the external bodies which either pleased or hurt him, would occupy his whole attention. The passions, themselves, the desires or aversions, the joys or sorrows, which those objects excited, though of all things the most immediately present to him, could scarce ever be the objects of his thoughts. The idea of them could never interest him so much as to call upon his at-

tentive consideration. The consideration of his joy could in him excite no new joy, nor that of his sorrow any new sorrow, though the consideration of the causes of those passions might often excite both. Bring him into society, and all his own passions will immediately become the causes of new passions. He will observe that mankind approves of some of them, and are disgusted with others. He will be elevated in the one case, and cast down in the other; his desires and aversions, his joys and sorrows, will now often become the causes of new desires and new aversions, new joys and new sorrows; they will now, therefore, interest him deeply, and often call upon his most attentive consideration.

In this passage *approbation* in others is made the cause of approbation in me, and *approbation* in me is the criterion of the value of approbation in others. Thus moral sentiments are social phenomena, but in this scheme society itself is a sort of ghostly affair at best. Smith's own language suggests the analogy with which to describe it. Society, according to this account, would seem to be a collection of images reflecting one another back and forth in a group of mental mirrors; but there is only a hint of a wraith of reality which first gave the mirrors something to reflect. This version of moral relations contains little of the vitality that we now discover. There is really no admitted criterion of moral value in Smith's system outside of the judgments of individuals.

Yet we must put the emphasis in the last sentence on the word "admitted." In spite of the individualistic and subjectivistic psychology which Smith inherited, and from which only a few persons, more than a century later, have worked themselves partially free, the inevitableness of the social in the human lot was constantly impressing on him the reality of social relations, though he kept piously trying to express it in terms of a sterile individualism. That is, his unanalyzed perceptions were much more genuinely moral than his moral theories.[19]

The underlying and implicit dependence of all moral judgments upon some relation of utility that is wider in its scope than the consciousness of individuals sometimes breaks out in explicit formulation. For instance:

> It is thus that man, who can subsist only in society, was fitted by nature to that situation for which he was made. All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All

[19] For illustrations see such passages as the two paragraphs at the close of Part I, Sec. I, Chap. IV; the last paragraph but one in Part I, Sec. II, Chap. II; the whole of the two following chapters; much of Part I, Sec. III; the whole factor of social utility unconsciously molding the discussion of "merit and demerit," Part II, etc.

the different members of it are bound together by the agreeable bonds of love and affection, and are, as it were, drawn to one common centre of mutual good offices. . . . . Society cannot subsist among those who are at all times ready to hurt and injure one another. . . . . Benevolence, therefore, is less essential to the existence of society than justice. Society may subsist, though not in the most comfortable state, without beneficence; but the prevalence of injustice must utterly destroy it.[20]

It is difficult in our day to understand how a man of Adam Smith's acuteness could have been so near to the premises of an objective moral philosophy, without doing as much to develop it in form as he did in spirit. Later in the same chapter he expressly denies that we learn to approve useful conduct and abhor the harmful through perception of its consequences. This is survival of the sense of duty to save the face of dogma, rather than to accept the full value of discovery. But this denial does not weaken the thesis that Smith regards human society as subject to the laws of a sovereign moral system, whatever we may think of his conceptions of that system. Thus, at the close of the chapter just quoted, he remarks:

For it well deserves to be taken notice of, that we are so far from imagining that injustice ought to be punished in this life, merely on account of the order of society,

[20] Beginning of Part II, Sec. II, Chap. III.

which cannot otherwise be maintained, that nature teaches us to hope, and religion, we suppose,[21] authorizes us to expect, that it will be punished even in a life to come. Our sense of its ill desert pursues it, if I may say so, even beyond the grave, though the example of its punishment there cannot serve to deter the rest of mankind, who see it not, who know it not, from being guilty of the like practices here. The justice of God, however, we think, still requires, that he should hereafter avenge the injuries of the widow and the fatherless, who are here so often insulted with impunity. In every religion, and in every superstition that the world has ever beheld, accordingly, there has been a Tartarus as well as an Elysium; a place provided for the punishment of the wicked, as well as one for the reward of the just.

Smith gives much more direct expression of his belief that our moral judgments, whether on matters of greater or less importance, or however we may suppose them to have originated, are, like the actions which they appraise, all responsible to a final scheme of moral order, in such language as the following:

Upon whatever we suppose that our moral faculties are founded, whether upon a certain modification of reason, upon an original instinct, called a moral sense, or upon some other principle of our nature, it cannot be doubted that they were given us for the direction of our conduct in this life. They carry along with them the

[21] Probably Haldane would cite this sentence as evidence that Smith's religious convictions were not perfervid! Cf. above, p. 34.

most evident badges of this authority, which denote that they were set up within us to be the supreme arbiters of all our actions, to superintend all our senses, passions and appetites, and to judge how far each of them was either to be indulged or restrained. . . . . The happiness of mankind, as well as of all other rational creatures, seems to have been the original purpose intended by the Author of Nature when he brought them into existence. . . . . By acting according to the dictates of our moral faculties, we necessarily pursue the most effectual means for promoting the happiness of mankind, and may therefore be said, in some sense, to co-operate with the Deity; and to advance, as far as in our power, the plan of providence. By acting otherwise, on the contrary, we seem to obstruct, in some measure, the scheme which the Author of Nature has established for the happiness and perfection of the world, and to declare ourselves, if I may say so, in some measure the enemies of God. Hence we are naturally encouraged, to hope for his extraordinary favour and reward in the one case, and to dread his vengeance and punishment in the other.[22]

From a quite different angle of approach, Smith arrives at an assertion of the final authority of moral law, in Part III, Chapter VI:

There is, however, one virtue, of which the general rules determine, with the greatest exactness, every external action which it requires. This virtue is Justice. The rules of justice are accurate in the highest degree, and admit of no exceptions or modifications, but such as may be ascertained as accurately as the rules themselves,

[22] Part III, Chap. V.

and which generally, indeed, flow from the very same principles with them. . . . . In the practice of the other virtues, our conduct should rather be directed by a certain idea of propriety, by a certain taste for a particular tenor of conduct, than by any regard to a precise maxim or rule; and we should consider the end and foundation of the rule more than the rule itself. But it is otherwise with regard to justice; the man who in that refines the least, and adheres with the most obstinate steadfastness to the general rules themselves, is the most commendable, and the most to be depended upon. . . . . The rules of justice may be compared to the rules of grammar; the rules of the other virtues to the rules which critics lay down for the attainment of what is sublime and elegant in composition. The one are precise, accurate, and indispensable. The other are loose, vague, and indeterminate.

No wonder that a man who indulged such a serene faith that the rules of justice were settled once for all, could feel perfectly secure in leaving them to take care of themselves, while he turned his attention to the rules of prudence! One is reminded of the scarcely less naïve belief of John Stuart Mill, that the theory of value had been settled once for all.[23]

[23] "Happily, there is nothing in the laws of Value which remains for the present or any future writer to clear up; the theory of the subject is complete; the only difficulty to be overcome is that of so stating it as to solve by anticipation the chief perplexities which occur in applying it; . . . . .— J. S. Mill, *Political Economy*, 5th ed., Appletons, 1897, Vol. I, p. 537.

Just as the nature of value was already beginning to be the nightmare among economic problems before Mill died, so the nature and implications of justice have become the central problems of all positive moral philosophy. To one who posited a pre-established natural harmony, and called that harmony "justice," and supposed that the key of the system was securely in his possession, the open questions about the conduct of life would necessarily be those of prudence only. The moment of the discovery that in an evolving society justice is a matter of adaptation; that it is dynamic, not static; that, even if we knew its fitnesses today, they may become misfits tomorrow—that moment we learn that justice is not a code of invariable rules, but an adjustment of incessantly changing relations. Thereupon we encounter the deeper problems of morals: What is the meaning of human life, and how may we adjust our conduct accordingly? These are not closed but open questions. Smith's inherited static notions of society estopped the conception that fundamental moral relations could be problematical. They were settled in advance. The duty of men was to take them for granted, and with serious respect for them to find out as much as possible about relations that are less certain. With the breaking-down of

the static preconception that has followed the work of Darwin all along the philosophic line, the moral philosophy, or sociology, which Smith could assume as a major premise, has come to be the unknown quantity. To use the Spencerian idiom, the *sentiment* of justice occupies the same place in modern social philosophy which it held in Smith's system; the *idea* of justice is getting, and must get, a changing content with the changes in human relations and with the progress of analysis of those relations.

One more quotation may suffice to justify the theorem that Adam Smith's philosophy started with the conception of a divine order, supporting a moral harmony, within which the technical prudences of life are mere details. In Part VI, Section II, Chapter III, he says:

> The wise and virtuous man is at all times willing that his own private interest should be sacrificed to the greater interest of the State or sovereignty of which it is only a subordinate part; he should, therefore, be equally willing that all those inferior interests should be sacrificed to the greater interests of the universe, to the interest of that great society of all sensible and intelligent beings of which God himself is the immediate administrator and director. If he is deeply impressed with the habitual and thorough conviction that this benevolent and all-wise Being can admit into the system of his own government no partial evil which is not necessary for the universal good, he must consider all the misfortunes which may befall

himself, his friends, his society, or his country, as necessary for the prosperity of the universe, and, therefore, as what he ought not only to submit to with resignation, but as what he himself, if he had known all the connections and dependencies of things, ought sincerely and devoutly to have wished for.

Nor does this magnanimous resignation to the will of the great Director of the universe seem in any respect beyond the reach of human nature. . . . . A wise man should surely be capable of doing what a good soldier holds himself at all times in readiness to do.

The idea of that divine Being, whose knowledge and wisdom have from all eternity contrived and conducted the immense machine of the universe so as at all times to produce the greatest possible quantity of happiness, is certainly, of all the objects of human contemplation, by far the most sublime. Every other thought necessarily appears mean in the comparison. . . . .

The administration of the great system of the universe, however, the care of the universal happiness of all rational and sensible beings, is the business of God, and not of man. To man is allotted a much humbler department, but one much more suitable to the weakness of his powers, and to the narrowness of his comprehension,—the care of his own happiness, of that of his family, his friends, his country: that he is occupied in contemplating the more sublime, can never be an excuse for his neglecting the more humble departments; and he must not expose himself to the charge which Avidius Cassius is said to have brought, perhaps unjustly, against Marcus Antoninus, that while he employed himself in philosophical speculations, and contemplated the prosperity of the universe, he neglected that of the Roman Empire. The

most sublime speculation of the contemplative philosopher can scarce compensate the neglect of the smallest active duty.

For a century it was supposed that no part of Adam Smith's lectures while a professor at Glasgow had been preserved except those portions which appeared in the *Theory of Moral Sentiments* and in *The Wealth of Nations.* A manuscript was found, however, and published in 1896 by Mr. Edwin Cannan, the title-page of which reads:

Juris Prudence, or Notes from the Lectures on *Justice, Police, Revenue,* and *Arms* delivered in the University of *Glasgow* by Adam Smith, Professor of Moral Philosophy. MDCCLXVI.[24]

For students of certain phases of Adam Smith's thinking, this rather crude report of his lectures is of great value. It adds nothing to the evidence needed for our present inquiry, beyond an exhibit of the details of justice which, as we saw above,[25] Smith regarded as immutable. We need notice further only that the report as it stands might almost be used as a syllabus of considerable portions of *The Wealth of Nations.* These include both the political and the economic

[24] Cannan, *Lectures of Adam Smith* (Oxford: Clarendon Press; xli+293 pages; see "Editor's Introduction," p. xli).

[25] P. 55.

portions of the latter work. They have also a bearing on the question to which we shall be obliged to return,[26] viz.: What was the relation of Smith's political science to his economic science? Considered as a syllabus, or prospectus, or first draft, as it was in effect, the course of lectures is of value in proof that *The Wealth of Nations* is not a detached monograph. It is rather of the very texture of Smith's moral philosophy.

In other words, we have here the means, even if they were otherwise lacking, for disposing of the whole brood of theories of which Skarzynski's may serve as an edifying example; viz., that Smith was changed from an idealist into a materialist by his sojourn in France, and that *The Wealth of Nations* represents Smith's views in the latter character, as contrasted with the abandoned views of the *Theory of Moral Sentiments*.[27]

[26] Pp. 209 ff.

[27] W. Skarzynski, *Adam Smith als Moralphilosoph und Schöpfer der Nationalökonomie* (Berlin, 1886). Skarzynski not only places himself in direct opposition to Oncken (cf. above, pp. 5, and 29–32), but his book of nearly 500 pages is virtually an attempt to prove that Adam Smith was neither a great man nor a great thinker. Whether Adam Smith was "great" or not, in any sense, is a question which those may discuss who have time for that futile type of inquiry. It is enough that he has been, and still is, influential. He is among the men whose

The view on which the present study is based has never been expressed more forcibly than by Bagehot:[28]

Lord Bacon says of some one that he was "like Saul" who went in search of his father's asses and found a "kingdom;" and that is exactly what happened to Adam Smith. He was engaged in a scheme of vast research, far surpassing the means at his disposal, and too good for any single man. In the course of that great pursuit, and as a small part of it, he came upon *The Wealth of Nations,* for dealing with which his powers and his opportunities peculiarly fitted him, and on that he wrote a book, which has itself deeply influenced thought and policy, and which has been the beginning of a new science.

5. This book is not a critique of Adam Smith's economic doctrines.

Hirst has vividly described a certain estimate of political economy which had more reputable sponsors a generation ago than it could find today:[29]

A heated imagination, certainly not encumbered with facts, and informed only that Adam Smith was the founder of an odious science, denounced him as "the

work would have had to be done by somebody, or knowledge could not have advanced to its present stage. The pertinent question is as to the precise work that Smith did, and as to the work still undone in the line of his beginnings.

[28] *Economic Studies,* p. 133. [29] *Adam Smith,* p. 183.

half-bred and half-witted Scotchman" who taught "the deliberate blasphemy"—"Thou shalt hate the Lord thy God, damn His Laws, and covet thy neighbor's goods." The same authority declares that he "formally in the name of the philosophers of Scotland, set up this opposite God, on the hill of cursing against blessing, Ebal against Gerizim,—a God who allows usury, delights in strife and contention, and is very particular about everybody's going to his synagogue on Sunday."[30] These three characteristics of Adam Smith's deity were unfortunately chosen; for, as it happens, he disliked usury so much that he defended the laws which had vainly sought to prevent high rates of interest; disapproved vehemently of war, which he regarded as one of the deadliest enemies of human progress, and protested against the idea that a perfect Deity could possibly desire His creatures to abase themselves before Him. It is sad to think that to get his gold the Ruskinian must pass so much sand through his mind. The *Fors Clavigera,* with all its passionate intensity and high-strung emotion, is a standing warning to preachers not to abuse their masters, and to learn a subject before they teach it. Let those who climb so recklessly on Ebal deliver their curses from a safer foothold.[31]

On the other hand, Hirst has quite clearly ex-

[30] See Ruskin, *Fors Clavigera,* Letters 62 and 72.

[31] An interpretation somewhat in the spirit of Hirst's protest, and rather clearly showing that it is a peculiarly shallow misconception to suppose that Smith was a glorifier of selfishness, is to be found in the expansion of an academic address by Dr. Wilhelm Neurath, *Adam Smith im Lichte heutiger Staats- und Socialauffassung* (Vienna, 1884).

pressed the presumption with which this study was undertaken: [32]

> The truth, as Smith conceived it, is that men are actuated at different times by different motives, benevolent, selfish, or mixed. The moral criterion of an action is: will it help society, will it benefit others, will it be approved by the Impartial Spectator? The economic criterion of an action is: will it benefit me, will it be profitable, will it increase my income? Smith built his theory of industrial and commercial life upon the assumption that wage-earners and profit makers are generally actuated by the desire to get as high wages and profits as possible. If this is not the general and predominant motive in one great sphere of activity, the production and distribution of wealth, *The Wealth of Nations* is a vain feat of the imagination, and political economy is not a dismal science but a dismal fiction. But there is nothing whatever either to excite surprise or to suggest inconsistency in the circumstance that a philosopher, who (to adopt the modern jargon of philosophy) distinguished between self-regarding and other-regarding emotions, should have formed the first group into a system of economics and the second into a system of ethics.

Since it is not extravagant hyperbole to describe nineteenth-century political economy as a progressive testing of the economic doctrines of Adam Smith, we have a specific case under Schiller's generalization, "The world's history is the world's assize." To criticize Adam Smith

[32] *Loc cit.*, p. 182.

adequately, as an economist, would call for a mobilization of everything added or opposed to his economic teachings, in the whole intermediate literature. But, if this were feasible, it would be outside the scope of this study. With Smith's economics, as such, so far as the theories can be regarded as separable from morals, I have no concern whatsoever. That is a technological affair about which I profess no competence. Nor is this the place for a discussion of the bibliography of economic criticism. If it can be imagined that anyone could have followed this discussion thus far, who is not already tolerably familiar with the landmarks of modern economic science, reference may be made to the two most convenient handbooks of the subject—Cossa's *Introduction to the Study of Political Economy*,[33] and Ingram's *History of Political Economy*.[34] Professor A. C. Miller presented a masterly survey of the whole economic movement of the nineteenth century at the St. Louis Congress of Arts and Science.[35]

[33] Revised by the author and translated by Louis Dyer (1893).

[34] Preface by E. J. James (1888).

[35] *Economic Science in the Nineteenth Century*, Congress of Arts and Science, Vol. VII, p. 21.

6. This book is an attempt to show the meaning of Adam Smith's economic teachings for that method of investigating moral relations which we now call sociology.

In other words, it is purely a contribution to sociological methodology. Instead of following the usual procedure of developing abstract principles algebraically, I shall use Smith's analysis as concrete material to bring into view sociological relations which pure economics overlooks or ignores.[36]

If Adam Smith had lived until today, and had reiterated certain of his general views about the fundamental conditions of economic relations, he would be classed as a socialist, without benefit of clergy. At the same time, contrasted views have been developed from his principles, and these latter have formed the tradition with which his memory is most closely associated. It is a part of the irony of fate that his name has been made synonymous with a conception of economics which was essentially alien to his real views. The substance of the explanation is, then,

[36] For the different editions of *The Wealth of Nations* reference may again be made to Anderson's bibliography, appended to Haldane. All references in this essay are to the edition of Ernest Belfort Bax ("Bohn's Libraries," London, 1905).

to recapitulate, *first,* that Smith's economic system has been considered apart from the whole system of moral philosophy of which it was a fragment; and, *second,* that the doctrines which Smith formulated quite largely with reference to the then existing industrial conditions have been treated by his successors as having a degree of absoluteness which he never expressly claimed. If he had lived until the revolution was fully accomplished, he would, without much doubt, have returned to some of the fundamentals in his moral theory, as basis for restatements of the derived doctrines which have been used to bolster capitalism in the modern sense.

I repeat, then, the main proposition: *The Wealth of Nations* was essentially a technological treatise; i. e., *"An enquiry into the nature and causes of the wealth of nations."* In other words, the "natural world" and the type of industry being that which Adam Smith knew in Great Britain, what was the technique of the whole process? It was just as though someone should today write a treatise on the best way of operating our national banking system. It is conceivable that in a generation we might widely extend the principle of "asset banking." It is conceivable that this change might so far modify the whole system that many of the principles

stated generally in today's treatise would have to be withdrawn or restated. Perhaps it would have to be said that they applied in the original form only so far as the banking system then in operation was still in force.

Something close to this is the case with much of Smith's work, which became part of the "Classical Political Economy." It is true, *if certain presuppositions are granted.* It is not true if those presuppositions fail to represent the social situation.

Partly as an excursus, and partly as a direct advance in the line of the proposed inquiry, I take this occasion to comment on a passage in Bagehot which has often been misunderstood.[37] The point raised will be referred to less directly elsewhere in this essay.

Bagehot opens his chapter entitled "Adam Smith and Our Modern Economy," with this paragraph:

> If we compare Adam Smith's conception of Political Economy with that to which we are now used, the most striking point is that *he never seems aware that he is dealing with what we should call an abstract science at all.* The "Wealth of Nations" does not deal, as do our modern books, with a fictitious human being hypothetically simplified, but with the actual concrete men who

[37] Walter Bagehot, *Economic Studies* (2d ed., London, 1888).

live and move. It is concerned with Greeks and Romans, the nations of the middle ages, the Scotch and the English, and *never diverges into the abstract world.* Considering the natural progress of opulence as an item in greater studies, as part of the natural growth of human civilization, Adam Smith always thought how it had been affected by human nature, taken as a whole.

This paragraph has sometimes been cited as committing Bagehot to a judgment of Smith which was quite the opposite of his actual opinion. The truth appears when the language is interpreted in the light of an earlier passage, viz.: [38]

. . . . in my judgment, there are three defects in the mode in which Political Economy has been treated in England, which have prevented people from seeing what it really is, and from prizing it at its proper value.

First,—It has often been put forward, not as a theory of the principal causes affecting wealth in *certain* societies, but as a theory of the principal, sometimes even of all, the causes affecting wealth in *every* society. . . . .

Secondly,—I think in consequence of this defect of conception Economists have been far more abstract, and in consequence much more dry, than they need have been. If they had distinctly set before themselves that they were dealing only with the causes of wealth *in a single set of societies,* they might have effectively pointed their doctrines with facts from those societies. But, so long as the theory vaguely floated before them, they shrank from particular illustrations. . . . .

[38] *Loc. cit.*, pp. 16–18.

Thirdly,—It is also in consequence, as I imagine, of this defective conception of their science, that English Economists have not been as fertile as they should have been in verifying it. They have been too content to remain in the "abstract" and to shrink from concrete notions, because they could not but feel that many of the most obvious phenomena of many nations did not look much like their abstractions. . . . .

The particular Political Economy which I have been calling the English Political Economy, is that of which the first beginning was made by Adam Smith.[39]

It is more than likely that in the above passage Bagehot had John Stuart Mill very clearly in his mind's eye. In the preface to his *Political Economy Mill* expressed a judgment of Smith's method less divergent from Bagehot's than appears at first glance. In stating the aims of his own book, Mill says:

The design of the book is different from that of any treatise on Political Economy which has been produced in England since the work of Adam Smith.

The most characteristic quality of that work, and the one in which it most differs from some others which have equalled or even surpassed it as mere expositors of the general principles of the subject [did the author refer to his father's textbook?], is that it invariably associates the principles with their application. This of itself implies a much wider range of ideas and of topics than are included in political economy, considered as a branch of abstract speculation. For practical purposes, political

[39] Italics mine.

economy is inseparably bound with many other branches of social philosophy. Except in matters of mere detail, there are perhaps no practical questions, even among those which approach nearest to the character of purely economical questions, which admit of being decided on economical premises alone. And it is because Adam Smith never loses sight of this truth; because, in his applications of Political Economy, he perpetually appeals to other and often far larger considerations than pure Political Economy affords—that he gives that well-grounded feeling of command over the principles of the subject for purposes of practice, owing to which the *Wealth of Nations,* alone among treatises on Political Economy, has not only been popular with general readers, but has impressed itself strongly on the minds of men of the world and legislators.

It appears to the present writer, that a work similar in its objects and general conception to that of Adam Smith, but adapted to the more extended knowledge and improved ideas of the present age, is the kind of contribution which Political Economy at present requires.

Bagehot's more extended analysis of Adam Smith's economic method repays careful attention. The following is the remainder of the first section in the chapter of which the first paragraph was quoted above.[40]

Adam Smith approximates to our modern political economists because his conception of human nature is so limited. It has been justly said that he thought "there was a Scotchman inside every man." His *Theory of*

[40] *Economic Studies,* pp. 95 ff. (Cf. above, p. 67.)

Moral Sentiment [*sic*], indeed, somewhat differs in tone, but all through the *Wealth of Nations* the desire of man to promote his pecuniary interest is treated as far more universally intense, and his willingness to labour for that interest as far more eager and far more commonly diffused, than experience shows them to be.[41] Modern economists, instructed by a larger experience, well know that the force of which their science treats is neither so potent nor so isolated as Adam Smith thought. They consistently advanced as an assumption what he more or less assumes as a fact.

Perhaps a little unfairly, nothing has more conduced to the unpopularity of modern political economists, and to the comparative fame of Adam Smith, than this superiority of their view over his. Of course Adam Smith was infinitely too sensible a man to treat the desire to attain wealth as the sole source of human action. He much overrated its sphere and exaggerated its effect, but he was well aware that there was much else in human nature besides. As a considerate and careful observer of mankind, he could not help being aware of it. Accordingly he often introduces references to other motives, and describes at length and in an interesting way, what we should now consider non-economic phenomena; and, therefore, he *is* more intelligible than modern economists, and seems to be more practical. But in reality he looks as if he were more practical, only because his analysis is less complete. He speaks as if he were dealing with all the facts of human nature, when he is not; modern

[41] Bagehot does not take the trouble to cite the title of Smith's *Theory* accurately. I find no evidence that he knew it at first hand. His comparison between the essay and *The Wealth of Nations* has the effect, therefore, of a random shot.

economists know their own limitations; they would no more undertake to prescribe for the real world, than a man in green spectacles would undertake to describe the colours of a landscape.[42] But the mass of mankind have a difficulty in understanding this. They think Adam Smith practical because he seems to deal with all the real facts of man's life, though he actually exaggerates some, and often omits others; but they think modern economists unpractical because they have taken the most business-like step towards real practice—that of dealing with things one at a time.

And it is precisely this singular position of Adam Smith which has given him his peculiar usefulness. He fulfilled two functions. On the one hand, he prepared the way for, though he did not found, the abstract science of Political Economy. The conception of human nature which underlies the *Wealth of Nations*, is near enough to the fictitious man of recent economic science to make its reasonings often approximate to, and sometimes coincide with, those which the stoutest of modern economists might use. The philosophical and conscious approximation which we now use has been gradually framed by the continual purification of the rough and vague idea which he employed. In this way Adam Smith is the legitimate progenitor of Ricardo and of Mill. Their books would not have been written in the least as they are now, most likely would never have been written at all, unless Adam Smith, or some similar writer, had written as he has. But, on the other hand, Adam Smith is the beginner of a great practical movement too. His partial

[42] In a later essay, when the economists contemporary with Bagehot are under review, I shall enjoy a casual outing with this fine feat of imagination! (Cf. below, p. 218.)

conception of human nature is near enough to the entire real truth of it to have been assumed as such in his own mind, and to be easily accepted as such by the multitude of readers. When he writes he writes about what interests most practical men in a manner which every one will like who is able to follow any sort of written reasoning; and in his time there was a great deal of most important new truth, which most practical people were willing to learn, and which he was desirous to teach. It is difficult for a modern Englishman, to whom "Free Trade" is an accepted maxim of tedious orthodoxy, to remember sufficiently that a hundred years ago it was a heresy and a paradox. The whole commercial legislation of the world was framed on the doctrines of protection; all financiers held them, and the practical men of the world were fixed in the belief of them. "I avow," says Monsieur Mollien, the wise Finance Minister of the First Napoleon, "to the shame of my first instructors," the previous officials of France, "that it was the book of Adam Smith, then so little known, but which was already decried by the administrators with whom I had served, which taught me better to appreciate the multitude of points at which public finance touches every family, and which raised judges of it in every household." There were many free-traders before Adam Smith, both writers and men of business, but it is only in the antiquarian sense in which there were "poets before Homer, and kings before Agamemnon." There was no great practical teacher of the new doctrine; no one who could bring it home to the mass of men; who connected it in a plain emphatic way with the history of the past and with the facts of the present; who made men feel that it was not a mere "book theory," but a thing which might be, and

ought to be real. And thus (by a good fortune such as has hardly happened to any other writer) Adam Smith is the true parent of Mr. Cobden and the Anti-Corn Law League, as well as of Ricardo and of accurate Political Economy. His writings are semi-concrete, seeming to be quite so, and, therefore, they have been the beginnings of two great movements, one in the actual, and the other in the abstract world.

Probably both these happy chances would have amazed Adam Smith, if he could have been told of them. As we have seen, the last way in which he regarded Political Economy was as a separate and confined specialty; he came upon it as an inseparable part of the development of all things, and it was in that connection that he habitually considered it. The peculiar mode of treating the subject which we now have had never occurred to him. And the idea of his being the teacher, who more than any one else caused Free Trade to be accepted as the cardinal doctrine of English policy, would have been quite as strange to him. He has put on record his feelings:—"to expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceania or Utopia should ever be established in it. Not only the prejudices of the public, but what is more unconquerable, the private interests of many individuals, irresistibly opposed it. Were the officers of the army to oppose with the same zeal and unanimity, any reduction in the number of forces, with which master manufacturers set themselves against every law that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any

such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us. This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the Government and upon many occasions intimidate the legislature. The member of parliament who supports every proposal for strengthening this monopoly is sure to acquire the reputation not only of understanding trade, but great popularity and influence with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowleged probity, nor the highest rank, nor the greatest public services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists."

Yet, in fact, the "Utopia" of Free Trade was introduced into England by the exertions of the "master manufacturers;" and those who advocated it, and who were "thought to understand trade," said that they had learned the doctrines they were inculcating from *The Wealth of Nations,* above and beyond every other book.

Mr. Bagehot's own account thus aids the closer inspection which shows that he and Mill were both right. In the first passages compared they were not referring to the same factors of Smith's method. The former had in view the premature

generalizations, the insufficient inductions, frequent in *The Wealth of Nations,* although they were drawn from concrete historical material. The latter had in mind the use to which Smith wanted to put his generalizations after he reached them.

That is, as we shall have occasion to repeat, in spite of the admirable concreteness of Smith's style, he followed not a single consistent method, but he exhibited the strengths and the weaknesses, the virtues and the vices, of both the abstract, deductive method, and the concrete, historical method, together with the contrasts between pure science and a social program. Disciples who have carried each of the scientific methods to the limit legitimately call him master.[43]

In trying to assign the reason why the influence of economic theory had waned,[44] Bagehot did not sufficiently allow for another crudeness that is evident in Smith, as well as in the later classical economists; viz.: the technological content of classical economics presupposed a more statical condition of society than has proved to be

[43] In this bifurcation of a method the French sociologists have a similar case—the two schools of the followers of Le Play.

[44] *Loc cit.*, p. 3.

the case. Not only was this virtually unrecognized at Smith's time, but even when Bagehot wrote a century later, no strong movement had appeared for reconsideration of those statical preconceptions.

Returning from the excursus and reducing the whole matter to its briefest form, this is our theorem:

Political Economy, as viewed by Adam Smith, was the technology of a practical art which was strictly responsible to a moral philosophy that correlated all human activities. Political economy, after Adam Smith, lost its sense of connection with the large moral process, and became the mystery of the craft of the capitalizer. We propose an inspection of Adam Smith's economic system, for the purpose of showing that in his mind there was no antithesis, still less a divorce, between economic technology and sociology; and that the organization of the two in his philosophy rested upon a general conception of the subordinate relationship of all specific activities within an inclusive moral system, to which, in effect, though not in detail, all students of society must ultimately return.

III

THE ECONOMICS AND SOCIOLOGY OF LABOR

With the foregoing propositions sufficiently emphasized, we may return to *The Wealth of Nations* itself, and by a second survey confirm the general theorem already variously stated; viz.: The whole treatise was primarily a technological inquiry, with the ways and means of producing national wealth as its objective; it assumed that this interest had a value of its own; at the same time it assumed that this interest in production is tributary to the interest in consumption; it assumes, further, that the wealth interest in general is but a single factor in the total scheme of human and divine purposes, and that, whatever the technique of satisfying the wealth interest may prove to be, the place of that interest in the whole harmony of human relations has to be established by a calculus in whose equations the formulas of economic technique are merely subordinate terms.

All of this was understood by Smith's friend Dugald Stewart, and it was uttered by him with sufficient clearness more than a century ago. It

may assist our own insight to recall some of his words:[1]

The foregoing very imperfect hints appear to me to form not only a proper, but in some measure a necessary introduction to the few remarks I have to offer on Mr. Smith's *Inquiry:* as they tend to illustrate a connection between his system of commercial politics [*sic*], and those speculations of his earlier years in which he aimed more professedly at the advancement of human improvement and happiness. It is this view of political economy that can alone render it interesting to the moralist, and can dignify calculations of profit and loss in the eye of the philosopher. Mr. Smith has alluded to it in various passages of his work, but he has nowhere explained himself fully on the subject; and the great stress he has laid on the division of labour in increasing its productive powers, seems at first sight, to point to a different and very melancholy conclusion:—that the same causes which promote the progress of the arts, tend to degrade the mind of the artist; and, of consequence, that the growth of national wealth implies a sacrifice of the character of the people.

The fundamental doctrines of Mr. Smith's system are now so generally known, that it would be tedious to offer any recapitulation of them in this place, even if I could hope to do justice to the subject, within the limits which I have prescribed to myself. I shall content myself, therefore, with remarking, in general terms, that the great and leading object of his speculations is, to illustrate the provisions made by nature on the principles of the human mind, and in the circumstances of man's external situation, for a gradual and progressive augmentation in the

[1] *Account,* etc., p. liv.

means of national wealth; and to demonstrate that the most effectual plan for advancing a people to greatness, is to maintain that order of things which nature has pointed out, by allowing every man, as long as he observes the rules of justice, to pursue his own interest in his own way, and to bring both his industry and his capital into the freest competition with those of his fellow citizens. Every system of policy which endeavours either by extraordinary encouragements to draw toward a particular species of industry a greater share of the capital of the society than what would naturally go to it, or, by extraordinary restraint, to force from a particular species of industry some share of the capital which would otherwise be employed in it, is, in reality, subversive of the great purpose which it means to promote.

In other words, what we know of Adam Smith's whole scheme of thinking justifies the interpretation that, as it presented itself to his mind, what we now formulate as the general sociological problem might be explained as follows:

The destiny of mankind is to work out a certain moral achievement. The great intellectual task is to understand the conditions and implications of that destiny. There are certain grand divisions of that task. Not touching upon those which belong within the scope of so-called natural or physical science, the first division of the intellectual problem of discovering the conditions and implications of human destiny—that

is, the terms in accordance with which mankind must learn how to achieve well-being, or happiness, or progress, or whatever term we may prefer to use as the algebraic x to denote the content of that undetermined resultant of human endeavor toward which we look when we employ the concept destiny—the first division of the problem of human life in the large, is religious. Human life is conditioned by its relations to a divine order and purpose. That divine purpose must be investigated, and so far as possible understood, in order to get the bearings of human life. Then, without attempting to put into Smith's theory details about which we cannot get information, we have evidence enough to show that, whether as a subordinate section of religious relations, or as a division of relations somehow parallel with the religious relations, there was an *ethical* division of life. If we were to judge merely from the essay on the moral sentiments, we should be left to the impression that Smith's conception of ethics was that it had to do merely with the theory of *appreciation* or *evaluation*. We know, however, that this psychological discussion represented merely preliminaries which in his mind led to the doctrines of practical morals, and that the whole plexus of moral attitudes with reference to which

approbation or disapprobation is possible constituted in his mind a plane of human activities distinct from that which for him made up the religious sphere. Then the third division of the problem of understanding human life appeared to Smith to be that which deals with the history and theory of civic justice, the ways and means of attempting to secure an approximation to the principles of morals which ethics treats in the abstract and in the individualistic phases. And, finally, as all moral achievement has to get the use of material bases and media, it was necessary to work out a science of the ways and means by which the necessary material conditions of all spiritual achievement are to be secured. Thus Smith's science of wealth had relatively the same relation to his whole philosophy of life that the technique of marine architecture has to our systems of commercial and admiralty and international law. It was not a science of people in the fulness of their lives. It was merely a science of things and people considered as factors in producing the material equipment of life.

I repeat that we are not at all bound to justify Smith's classification. It is an entirely negligible matter that his analysis of moral phenomena would not now satisfy anyone. The main thing is that he had a definite perception of the mediate,

and subordinate, and tributary status of wealth, and that he betrayed relatively slight symptoms of the tendency, which was so strong in the stereotyped classical theory, to assume that the wealth factor is the sole arbiter of social relations. How to build a ship is one thing. How to settle questions of equity between builders, and owners, and officers, and crew, and shippers, and passengers, and consignees, and other navigators, and commercial interests of the nations at large, is a very different thing. The former is analogous with the questions which Smith directly raised in *The Wealth of Nations.* The latter are suggestive analogues of the sort of questions which he saw the need of raising in his wider moral philosophy, and in spite of himself indirectly raised in his economic discussion.[2]

We have to justify these propositions by a rapid analysis of *The Wealth of Nations* itself.

Chapter I expounds the purely technical theorem:

[2] The *Lectures on Justice*, etc. (above, p. 59), contain nothing that affects this summary. The treatment is wholly historical and legal, in form and substance, except in Parts II and III, which might be classed as economic rather than legal or historical. At all events, the relation of the lectures to antecedent moral philosophy does not appear to have been unlike that of *The Wealth of Nations,* of which, as I said above, the lectures are virtually a first draft.

The greatest improvement in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the *effects of the division of labour.*

This is a proposition which is as far outside the range of moral relations, as Smith thought of them, as elementary theorems about the increased efficiency of power applied by means of wedge, pulley, screw, or lever.

Smith attributes the increase of work which division of labor makes possible to three factors: *first*, to the increase of dexterity in every particular workman; *second*, to saving of time usually lost in passing from one species of work to another; *third*, to the invention of machines which enable one man to do the work of many.

Under the last head he introduces a consideration which might be generalized beyond the form in which he uses it; viz.:

All the improvements in machinery, however, have by no means been the inventions of those who had occasion to use the machines. Many improvements have been made by the ingenuity of the makers of the machines, when to make them became the business of a peculiar trade; and some by that of those who are called philosophers or men of speculation, whose trade it is not to do anything, but to observe everything, and who, upon that account, are often capable of combining together the powers of the most distant and dissimilar objects.[3]

[3] I, p. 11.

Without restricting this factor to its value in the invention of machinery, we may say that the division of labor makes room for activities which have increasingly remote relations to the productive process, and sets free types of action which enrich life, whether or not they have a direct influence upon processes of producing wealth.[4]

[4] Mallock, *Aristocracy and Evolution* (London, 1898), opposes to what he is pleased to call sociology, on the one hand, and to an equally questionable version of socialism, on the other, a ponderous argument, drawn out through three hundred and eighty pages, the substance of which is merely a variation of this perception of the advantages of the division of labor. The thread of wisdom that runs through the book is entangled in a woeful snarl of irrelevance and inconsequence. His generalizations about sociology fall flat among sociologists, because he apparently bounds sociology by Herbert Spencer, Edward Bellamy, Benjamin Kidd, and Sidney Webb! His account of socialism is equally provincial. The great-man theory which he revises and recommends as a remedy for the errors of both, easily boils down to the fact of the *advantages of specialization.* This is all implicitly, and much of it expressly, in *The Wealth of Nations;* it has been exhibited much more voluminously by Tarde, although under the inadequate labels "imitation" and "invention;" it has been generalized most correctly by my colleague, Professor W. I. Thomas, in his interpretation "pace-making."

Mr. Mallock's volume is an ingeniously elaborated insinuation that the world is shrouding itself in darkness through failure to perceive that, of all specializers, the specializer in money-making is pre-eminently entitled to its forbearance, its admiration, and its fostering favor. The pathos of this appeal so overstimulates the "impartial spectator's" sense of humor that he is embarrassed in doing justice to the elements in the book which deserve serious attention.

The chapter contains a further theorem which squints toward the bearing of economic factors upon social structure; viz.:

> The separation of different trades and employments is a consequence of the efficiency of the division of labour, and is most extensive in the countries which enjoy the highest degree of industry and improvement.[5]

The concluding paragraphs of the chapter constitute one of the classic passages in the literature of social description:

> In the progress of society, philosophy or speculation becomes, like every other employment, the principal or sole trade and occupation of a particular class of citizens. Like every other employment too, it is subdivided into a great number of different branches, each of which affords occupation to a peculiar tribe or class of philosophers; and this subdivision of employment in philosophy, as well as in every other business, improves dexterity, and saves time. Each individual becomes more expert in his own peculiar branch, more work is done upon the whole, and the quantity of science is considerably increased by it.
>
> It is the great multiplication of the productions of all the useful arts, in consequence of the division of labour, which occasions, in a well-governed society, that universal opulence which extends itself to the lowest rank of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity, or, what comes to

[5] P. 7.

the same thing, for the price of a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of the society.

Observe the accommodation of the most common artificer or day-labourer in a civilized and thriving country, and you will perceive that the number of people of whose industry a part, though but a small part, has been employed in procuring him this accommodation, exceeds all computation. The woolen coat, for example, which covers the day-labourer, as coarse and rough as it may appear, is the produce of the joint labour of a great multitude of workmen. The shepherd, the sorter of the wool, the woolcomber or carder, the dyer, the scribbler, the spinner, the weaver, the fuller, the dresser, with many others, must all join their different arts in order to complete even this homely production. How many merchants and carriers, besides, must have been employed in transporting the materials from some of those workmen to others who often live in a very distant part of the country! how much commerce and navigation in particular, how many ship-builders, sailors, sail-makers, rope-makers, must have been employed in order to bring together the different drugs made use of by the dyer, which often come from the remotest corners of the world! What a variety of labour too is necessary in order to produce the tools of the meanest of these workmen! To say nothing of such complicated machines as the ship of the sailor, the mill of the fuller, or even the loom of the weaver, let us consider only what a variety of labour is requisite in order to form that very simple machine, the shears with which the shepherd clips the wool. The miner, the builder of the furnace for

smelting the ore, the feller of the timber, the burner of the charcoal to be made use of in the smelting-house, the brick-maker, the bricklayer, the workmen who attend the furnace, the millwright, the forger, the smith, must all of them join their different arts in order to produce them. Were we to examine, in the same manner, all the different parts of his dress and household furniture, the coarse linen shirt which he wears next his skin, the shoes which cover his feet, the bed which he lies on, and all the different parts which compose it, the kitchen-grate at which he prepares his victuals, the coals which he makes use of for that purpose, dug from the bowels of the earth, and brought to him perhaps by a long sea and a long land carriage, all the other utensils of his kitchen, all the furniture of his table, the knives and forks, the earthen or pewter plates upon which he serves up and divides his victuals, the different hands employed in preparing his bread and his beer, the glass window which lets in the heat and the light, and keeps out the wind and the rain, with all the knowledge and art requisite for preparing that beautiful and happy invention, without which these northern parts of the world could scarcely have afforded a very comfortable habitation, together with the tools of all the different workmen employed in producing those different conveniences; if we examine, I say, all these things, and consider what a variety of labour is employed about each of them, we shall be sensible that without the assistance and co-operation of many thousands the very meanest person in a civilized country could not be provided, even according to, what we may falsely imagine, the easy and simple manner in which he is commonly accommodated. Compared, indeed, with the more extravagant luxury of the great, his accommodation must

no doubt appear extremely simple and easy; and yet, it may be true, perhaps, that the accommodation of an European prince does not always so much exceed that of an industrious and frugal peasant, as the accommodation of the latter exceeds that of many an African King, the absolute master of the lives and liberties of ten thousand naked savages.[6]

In its primary purpose the first chapter of *The Wealth of Nations* is no more an essay in moral relations than an agricultural chemist's statement of the reasons why the virgin soil of the Canadian wheat area is more fertile than an abandoned farm in New England. It has been an effective stimulus of later inquiry into moral relations, but it is immediately no more moral, as Smith would use the term, than a comparison of the vegetation of the temperate and torrid zones.

In Chapter II Smith discusses "the principle which gives occasion to the division of labour." The thesis is as follows:

This division of labour, from which so many advantages are derived, is not originally the effect of any human wisdom, which foresees and intends that general opulence to which it gives occasion. It is the necessary, though very slow and gradual, consequence of a *certain propensity* in human nature which has in view no such extensive utility; *the propensity to truck, barter, and exchange one thing for another.*

[6] Pp. 11–13.

Of this proposition we may say, first, it is methodologically an *obiter dictum.* That is, it belongs in a larger range of inquiry, antecedent and fundamental to the technological inquiry to which *The Wealth of Nations* is devoted. It is, moreover, a species of inquiry for which Smith's scheme of moral philosophy apparently does not provide a plane. It is related to the proper subject-matter of economics, as conceived by the author of *The Wealth of Nations,* very much as an inquiry into the ultimate physical reasons for the relative durability of wood and steel would be related to an engineer's account of the comparative economy of these materials, as discovered by experience, for constructing railroad bridges.

In the second place, the exact nature of the question which Smith raises in this chapter is primarily psychological, and secondarily socio-psychological. It is therefore a fair index of the closeness of relationship between the phenomena of industry and the general phenomena of individual and social consciousness. In this connection Smith's work is a premonition of the inevitable awakening of the sociological consciousness with the unavoidable pursuit of inquiries (which may have started among economic phenomena), out into all their relationships as moral and psychical phenomena.

In the third place, the particular explanation which Smith proposes is of a piece with the mental philosophizings of his time, but it merely applies a mouth-filling name to an unanalyzed phenomenon. The "propensity to barter" is just as much and just as little a distinct and ultimate force in human affairs as a "propensity to swim," or a "propensity to jump over stone walls," or a "propensity to go to the circus." If we fall into the water, we try to swim, because we have a preference for living. The same fact, appealed to from another direction, stimulates us to make the best of our ability to get over a wall if we are chased by a bull. Certain desires for nervous stimulation find temporary satisfaction in the circus, but a thousand alternative recourses may serve the same purpose. That is, Smith scratched the surface of psychological phenomena, which have since his time furnished problems for more exact psychology and sociology.

In the fourth place, we may observe that this sort of explanation is not yet entirely discredited even among rather prominent scholars. Sombart has thought it worth while to ridicule such pseudo-explanation at some length.[7]

In this same chapter Smith starts another line of inquiry, which is also external to economic

[7] *Moderne Kapitalismus*, Vol. I, pp. xxv ff.

technology, but, like the problem of psychical motivation in general, it could not be ignored, even at his preliminary stage of research. It is strictly an essay in anthropology. The facts in the case, quite independent of our apprehension of them, are in their degree responsible for many social differences, while more or less definite theories about the facts are shaping both abstract sociological doctrines and concrete social programs. He says:

> The difference of natural talents in different men, is, in reality, much less than we are aware of, and the very different genius which appears to distinguish men of different professions, when grown up to maturity, is not so much the cause, as the effect of the division of labour. The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom and education. . . . . By nature a philosopher is not in genius and in disposition half so different from a street porter, as a mastiff is from a greyhound, or a greyhound from a spaniel, or this last from a shepherd's dog.[8]

These propositions, taken by themselves, are identical with clauses in the doctrines of nearly all the modern revolutionary philosophers. They are taken for granted by most of the extreme socialists. The truth or error of the proposi-

[8] Pp. 16 f.

tions is not before us for discussion in this argument. The significant point is that Smith instinctively perceived the close relation between the technological problems of wealth, and the anthropological and psychological and social problems of people.

Chapter III elaborates the thesis that, "as it is the power of exchanging that gives occasion to the division of labour, so the extent of this division must always be limited to the extent of that power, or, in other words, by the extent of the market."

In one sense this proposition is strictly physical. It is no more to be disputed than the proposition that the pressure of water at the bottom of a tube is in proportion to the height of the water in the tube.

On the other hand, Smith does not hint at the broad scope of the question, What makes a market? This is a sociological problem in the most extensive sense. Its answer must come from knowledge of the whole gamut and the most refined combinations of human desires. Li Hung Chang is reported to have said that, if he could persuade every man in China to add a couple of inches to the length of his shirt-tail, he could create a market for all the cotton grown in America. The population of China is not

necessarily a market for American cotton. By a decree of the imperial government, if Great Britain could be induced to acquiesce, China might cease to be a market for opium, etc., etc. While, therefore, this chapter contains a very important principle of economic technology, it leaves untouched the much more important sociological question of the origin and variation of markets.

The chapter closes with a pertinent political application of the principle. It is a typical instance of the power of artificial social arrangements, in this case the territorial jurisdiction of states, to modify the economic work of natural conditions; viz.:

> The commerce besides which any nation can carry on by means of a river which does not break itself into any great number of branches or canals, and which runs into another territory before it reaches the sea, can never be considerable; because it is always in the power of the nations who possess that other territory to obstruct the communication between the upper country and the sea. The navigation of the Danube is of very little use to the different states of Bavaria, Austria and Hungary, in comparison of what it would be if any of them possessed the whole of its course till it falls into the Black Sea.

Chapter IV, on "The Origin and Use of Money as a Medium of Exchange," does not probe farther into the sociology and psychology

of money than is necessary for immediate explanation of the obvious phenomena of exchange. It therefore has the same relation to ultimate sociology and psychology that a mechanic's explanation of the advantages of lubricating oils would have to physics and chemistry. The chapter contains illustrations in abundance of the psychological nature of the forces that have originated and modified the use of money through varied estimates of convenience. The point of view, however, is exclusively that of the technique of the economic cycle—production, exchange, division of labor, widening of the market, more production, more division of labor, more widening of the market, etc., etc.

At the close of the chapter the author enters upon that thus far unbounded sea of troubles, the theory of value.

We discover at a glance, in the light of the economic discussion of nearly a century, that Smith's treatment of the subject was on a relatively superficial plane. That is, he was discussing the technique, not the psychology, nor the logic, nor the sociology, of money. This appears at once in his forms of expression; e. g.:

> What are the rules [*sic*] which men naturally observe in exchanging them [goods] either for money or for one another, I shall now proceed to examine. Three rules

[*sic*] determine what shall be called the relative or exchangeable value of goods.

The word *value*, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the possession of that object conveys. The one may be called "value in use," the other, "value in exchange." . . . . In order to investigate the principles which regulate the exchangeable value of commodities, I shall endeavour to show, first, what is the real measure of this exchangeable value; or wherein consists the real price of all commodities; secondly, what are the different parts of which this real price is composed, or made up; and lastly, what are the different circumstances which sometimes raise some or all of these different parts of price above, and sometimes sink them below their natural or ordinary rate; or what are the causes which sometimes hinder the market price, that is, the actual price of commodities from coinciding exactly with what may be called their natural price.[9]

Three chapters follow, on the subjects thus proposed. It is easy to point out, at this late day, that we open up the whole unknown world of the psychology and sociology of value when we begin to observe that some tribes will exchange their goods for wampum, and some for paper promises to pay, and some for gold only. It is easy to find in Adam Smith's discussion the points at which paths lead farther into the by-ways of these subjects than he felt impelled to pry. As a mat-

[9] Pp. 28, 29.

ter of fact, however, we have to follow the whole nineteenth-century history of economic theory, up to the point where we find John Stuart Mill declaring that the theory of value had been settled, and then through another generation, which encounters more difficulties than ever in the theory of value—we have to review this whole evolution, to be aware of the full measure of difference between the technological treatment of value in *The Wealth of Nations,* and the problems that present themselves to modern philosophers when they attempt to formulate the phenomena of money and of value in terms of their ultimate relations.

At the same time, one might easily mistake the first paragraph of the fifth chapter for a royal road, instead of an untrodden path, into the broadest realms of social philosophy. If one did not know the sequel, one might with good reason surmise that an earlier Karl Marx had been discovered. In this paragraph Smith is certainly nearer to the fundamental theorem of Marx than to the major premises of economic theory and practice at the present time, at least in England and the United States. The paragraph reads as follows:

> Every man is rich or poor according to the degree in which he can afford to enjoy the necessaries, conven-

iences, and amusements of human life. But after the division of labour has once thoroughly taken place, it is by the very small part of these with which a man's own labour can supply him. The far greater part of them he must derive from the labour of other people, and he must be rich or poor according to the quantity of that labour which he can command, or which he can afford to purchase. The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities.[10]

We shall have occasion to observe presently how Smith restrained himself from following this clue in the direction which Marx afterward took. We may notice, in passing, that, although Smith very distinctly reiterated the same theorem when discussing the wages of labor (Chap. VIII), he approached it as an explanation of the problem of value in general and of price in particular. It did not occur to him as a class question at all. He was in the course of explaining the mechanism of civilized exchanges, and his assumption was that the mechanism was working normally. He was not searching for a clue to a situation which he considered abnormal. Prac-

[10] Cf. Chap. VI, 4th paragraph, p. 48; also p. 50, 2d paragraph.

tically no grievances were alleged against the essential structure of the economic system. Such charges as were brought against social arrangements at this time were principally political in form, whatever might have been their implicit economic content. The antithesis of labor and capital, as social categories, was at that time virtually unknown. Labor and capital were purely economic categories, and could be treated as abstractions, whether on the debit or credit side of the reckoning, without provoking class prejudice. Precisely the opposite was the case when Marx wrote, and this was at all events an important factor in deciding that in Marx's hands a labor theory of value became directly a class issue instead of a mere technical distinction.

Then we must make note of another effect upon Smith's mind of the presumption that the system which he tried to explain was operating normally. That is, he was phenomenally unconscious, as it appears after a century of closer analysis, that commonplace, everyday exchanges could not be accounted for by his extremely naïve theory of price. It would be easy for us to make an *a-priori* argument to the effect that a man so wise as he could not possibly have overlooked, as he did, some of the plain gaps between the facts and his explanation; but the reason is

evidently to be found in his disregard of the artificial and arbitrary social arrangements by which civilization complicates the simple order of human actions. In other words, when he attempted to explain the phenomena of price, his logical process seems to have been, first, a generalization of the simplest conceivable exchanges of the products of labor into the type of all exchanges. Then, instead of using that generalization merely as a search hypothesis—i. e., to guide a complete induction—he used it as a principle for explaining all exchanges deductively. Of course, this amounts logically to begging the question with respect to every case of exchange which is not used as a means of testing the generalization. That is, such a principle once adopted for such use is a blind leader of the blind. It glosses over the facts instead of exposing them.[11]

When Smith says, for instance, "Labour was the first price, the original purchase money that was paid for all things," [12] he overpersuades himself, more than he is aware, that the same is true in the same degree in all purchases. For our present purpose it is enough to point out that the result was an intolerable vagueness

[11] This would be an instance, therefore, illustrating the fault which Bagehot charges to Adam Smith. Cf. above, p. 68.

[12] P. 30.

and approximateness in his theory of exchanges. Thus he says:[13]

> The real price of everything, what everything really costs to the man who wants to acquire it, is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it or exchange it for something else, is the toil and trouble which it can save to himself, and which it can impose upon other people.[14]

It is by no means clear precisely what Smith meant by these propositions, but any version that might be proposed would be ruled out, as an adequate formula of exchanges, by types of cases which could not be so explained. This, however, has been the theme of a voluminous economic literature for nearly a century. Our argument does not call for an examination of the progress of analysis on this point. We may simply note, by way of illustration, that no formulation of the mere mechanism of economic exchanges can possibly express the essential facts of value and price. These are phenomena resulting from more than one variable. They are psychical and social as well as mechanical. There

[13] *Ibid.*

[14] I refrain from turning any light from the "marginal utility theory" upon Smith. According to the outline of analysis of which this essay is a detail, that development must be noticed in its chronological order.

is probably a certain minute portion of the "toil and trouble" element in every case of value, but whether it is the "toil and trouble" which it actually costs the producer to produce it, or the "toil and trouble" which it would cost the purchaser to produce it, or the "toil and trouble" to which the purchaser would be liable if he had to go without it, actual exchanges in civilized society could not be expressed uniformly in terms of either concept. "Toil and trouble" as an equivalent for the term "labor expended in production" can in very few cases be an equally approximate measure of the reason why the seller sells and why the buyer buys. Value or price sometimes has one ratio to the labor-cost of production or of reproduction, and sometimes a quite different ratio. These familiar considerations may be summed up in the platitude: Price or value is a phenomenon of two chief variables; viz., first, the conditions governing the supply, and, second, the conditions governing appreciation as a factor of demand.[15]

In a word, Smith's attempt at an explanation of price and value credited labor-cost with too

[15] Cf. Simmel, "A Chapter in the Philosophy of Value," *American Journal of Sociology*, Vol. V, p. 577. For further concrete illustrations of the lack of precision in Smith's labor theory of value, see Bagehot, *Economic Studies*, pp. 121 ff.

exclusive significance; or, to express the same thing from the other point of view, it failed to make due allowance for the subjective and social factors in value and price. All this has meanwhile been made evident by the economists themselves, though it is equally evident that the last word has not been said, and that the psychologists and sociologists have a function in tracing the facts to their ultimate elements.

When Smith touches upon the relation of wealth to anything beyond the immediate technicalities of economic processes, his propositions affect the modern reader as relatively less applicable to the real world of today than they were to his own time.[16] They are approximations to truth, but the approach was so much closer when he wrote, that, under the operation of present conditions, some of the paragraphs, when applied to our world, read almost like satire. For example, in immediate connection with the sentences just quoted, he continues:

> Wealth, as Mr. Hobbes says, is power. But the person who either acquires or succeeds to a great fortune does not necessarily acquire or succeed to any political power, either civil or military. His fortune may, perhaps, afford him the means of acquiring both, but the mere possession of that fortune does not necessarily convey to him either.

[16] Again strengthening Bagehot's indictment. See above, p. 68.

The power which that possession immediately and directly conveys to him, is the power of purchasing; a certain command over all the labour, or over all the produce of labour which is then in the market. His fortune is greater or less, precisely in proportion to the extent of his power; or to the quantity either of other men's labour, or, what is the same thing, of the produce of other men's labour, which it enables him to purchase or command. The exchangeable value of everything must always be precisely equal to the extent of this power which it conveys to its owner.[17]

At first glance we are tempted to say that all this is literally true. Upon second thought we are impelled to add that it is true only with heavy emphasis upon the adverbs "necessarily," "immediately," "directly," etc. Upon reconsideration of the second thought, we conclude that even with this proviso the propositions are far from adequate.

In the first place, the possession of wealth in large quantities, in our modern world, almost of necessity commits the owner to participation in affairs, for the sake of preserving, if not of increasing, his wealth, to an extent that adds to his political or social influence in ways which could not be achieved by his bare personality. In the second place, it is not true that the total power over men exerted by a syndicate controlling a hundred million dollars is merely equal to

[17] P. 31.

the sum of the powers exerted by a million detached men, each controlling one hundred dollars.[18] Through the single factor of suggestibility, to take but a single instance, massed wealth becomes a social force which the logic of the labor necessary to produce or to reproduce it utterly fails to explain. Similar factors might be scheduled in large numbers.[19]

Smith advances from his premises of labor as the ultimate norm of value, to money as the representative of labor in the work of measuring value in actual exchanges. Thus:

> But though labour be the real measure of the exchangeable value of all commodities, it is not that by which their value is commonly estimated. . . . . It is more natural, therefore, to estimate its exchangeable value by the quantity of some other commodity than by that of the labour which it purchases. . . . . But when barter ceases, and money has become the common instrument of commerce, every particular commodity is more frequently exchanged for money than for any other commodity.[20]

[18] If it were, there would be no more sense in public attention to the few men who form a trust, than in the same sort of public attention to the unorganized men in a given population whose combined wealth would equal the capital of that trust.

[19] Cf. the case cited at the beginning of *The Wealth of Nations,* Chap. VI, p. 47. Such trade is not a measure of comparative quantities of labor at all, but, on one side at least, almost purely of childish desire for novelties.

[20] Pp. 31, 32.

With this the argument becomes more strictly technical, from the purely commercial point of view, and it thus passes out of the range of our present inquiry.

In Chapter VI, on "The Component Parts of Commodities," we come upon a turn of the argument which it is by no means easy to understand or to appraise. The first reason for this is that we cannot be sure how clearly Smith drew the distinction between what is and what ought to be in the processes of industry. That is, it is by no means certain that he always confined himself to bare analysis of the occurrences in commerce, and we are not always able to tell when he wanted to be understood as merely formulating the facts, and when he adds to the facts his own appraisals.

For instance, speaking of labor, in an "advanced state of society," he says: "In this state of things, the whole produce of labour does not always belong to the labourer." [21] As a bald statement of fact, this is literally true. Does Smith, or does he not, mean to imply that the extent to which it is true is strictly in accordance with equity? We can answer this question only vaguely. Smith certainly had no thought of any such radical injustice as Marx afterward

[21] P. 50.

alleged in this connection. It is not certain that he would assert that there was any injustice at all in the system of distribution operated by the society of his day. This in spite of the fact that in certain concrete cases, like those of the colliers or the salters, he protested against abuses. He had not generalized such items into an indictment against the industrial system at large. Apparently he assumed that the more complicated system of production, consequent upon division of labor, automatically invented a corresponding system of distribution, in which the reward of each participant in production was assigned in strict ratio with the value of his labor in creating the product. Whether he would have asserted precisely this or not, if the question had been distinctly proposed, it is evident that in his mind there was not yet a problem of distribution which was not settled in advance by the technique of production. In the paragraph from which the last quotation was made Smith goes on to say:

> Neither is the quantity of labour commonly employed in acquiring or producing any commodity the only circumstance which can regulate the quantity which it ought commonly to purchase, command or exchange for. And additional quantity, it is evident, must be due for the profits of the stock which advanced wages and furnished the materials of that labour.

We may not be able to divest our minds of

associations formed by study of the economic literature since Adam Smith. We may do our best, however, to judge him for a moment, in the cold light of abstract logic, without reference to disturbing interests. We may claim to be attempting at least to think judicially when we call attention to a significant anomaly in this confident assertion. Is it not remarkable that, so soon after declaring labor to be "the real measure of the exchangeable value of all commodities," [22] Smith should feel at liberty to take for granted that profits are as evidently due to the capitalist as wages are to the laborer? To be sure, Smith has not in so many words said that labor is the only *source* of wealth. He has merely said that labor is the only real *measure* of wealth. At the same time, his language conveys the impression that in his mind the concepts "source" and "measure" were so associated that they amounted to the same thing. He said, a few pages later: "Wages, profit, and rent are the three principal *sources* of all revenue, as well as of all exchangeable value." [23] Again he remarks: "As in a civilized country there are but few commodities of which the exchangeable value arises *from labour only*. . . . ." [24]

[22] Chap. V, p. 30. [23] P. 53. [24] P. 54.

In Smith's mind the claim of capital to profits appeared as evident and immediate as the claim of labor to its wage. Not quite three-quarters of a century later, Marx launched his system of social philosophy centered about absolute denial of the claim of capital to profits.[25] Yet, as we have seen, the two men seem to have held nearly identical views of labor as the ultimate measure of right to wealth. How shall we account for the evolution of the classical political economy and Marxian socialism from so nearly identical conceptions of the relation of labor to wealth?

The truth probably is that Smith's views never actually approached quite so near to the major premise of Marx's system as would appear from the things which Smith left unsaid, or from the partially uncritical form of the things which he actually said. Judged by himself in other connections, as, for example, the propositions last cited, and Chapter IX, "Of the Profits of Stock," Smith never entertained a doubt that the payment of profits to capital is as strictly and fundamentally consistent with the natural order of things as the payment of wages to labor. Whether this state of things represented an undetected contradiction in Smith's mind, or whether

[25] I am referring, of course, to the *Communist Manifesto*, not to *Capital*.

it was merely an accident of incomplete formulation of his views, may never be decided. This much is obvious: If Adam Smith had introduced into economic theory a searching critique of the basis of the claims of capital to profits, Marx's economic doctrine would in all probability never have put in an appearance. If it had appeared, it could hardly, under the supposed circumstances, have been fathered by a man of Marx's intellectual power. If justice and only justice had meanwhile been done both to capital and to labor, in the way of working out a valid theory of when and why and in what proportion each deserves a share of the surplus product, Marx might still have become a socialist, but his socialism would certainly have had a different point of detachment from orthodox economic theory.

Profits, as the man on the street uses the word, is a blanket term which may include elements as heterogeneous as wages and graft and loot. To some of these elements one capitalist has as clear a title as the laborer has to his wage. To others of these elements another capitalist has no more title in equity than the bank-breaker has to his stealings. Smith did not feel the necessity of a critique of the title of capital to profits, because his attention was turned in the

direction of the productive activities of capitalists, and their consequent title to their reward. Marx was intensely impressed by the political and commercial usurpations which sanctioned arbitrary claims of masters and denied some of the natural claims of workmen. In Marx's time it was becoming necessary to recognize the class cleavage between capitalists and laborers. The contrasts between their situations were so sharp that it was as easy for Marx to assume that the capitalist is not a laborer, and consequently not entitled to a wage in the form of profits, or otherwise, as it was three-quarters of a century earlier for Smith to assume that the capitalist is a laborer, and therefore entitled to a wage in the form of profits.[26] Unconsciously, and doubtless with equal intention to represent things as they are, both Smith and Marx started a fashion of pinning economic

[26] It is not true, and I do not assert, that Marx utterly overlooked the industrial function of the capitalist. He admitted it, but then he obscured it in such a way that it has been easy for his followers to ignore it, while supposing that they were following his teachings. Using the names of Smith and Marx to label tendencies for which they were partly responsible, I point out the mistaken assumptions of the tendencies, while I am aware that neither Smith nor Marx is justly to be charged with deliberately promulgating the extreme errors to which their theories have lent force.

faith to a false universal. In the former case it was, "Every capitalist deserves profits." In the latter case it was, "No capitalist deserves profits." For purposes of analysis we may separate the logical from the moral elements in modern social theory and practice. Speaking, then, of the logical phase only, we may say that the phenomenon of Marxian socialism is merely, in Hegelian terms, the inevitable extreme antithesis of Smith's extreme thesis, and that inevitable criticism is now ascertaining the elements of truth in both false universals, and combining them in a synthesis that shall more closely approach a true universal.

In other words, the classical political economy asked the world to take for granted, and make permanent, certain accidental differences between individuals and classes. Presently the degree to which these differences had established themselves presented anomalies which provoked the socialist protest in terms which not only denounced the anomalies, but justified the contention on grounds that at once presented corresponding anomalies. In so far, then, as the classical political economy and Marxian socialism are merely logical incongruities, the issue between them may be reduced to a single problem: *to discover the direct line of truth between*

the two tangents, "Every capitalist deserves profits," and "No capitalist deserves profits."

Although this problem has confronted students of society rather definitely for more than a half-century, and although it is difficult for us to understand how a man of Adam Smith's acumen could have been so near to it without discovering the need of undertaking a solution, it is still uncertain whether the time is ripe for securing an unprejudiced hearing for the purely abstract problem. Vested interests and contesting interests are too much concerned about the immediate applications of the possible answer to the question. It is hard to discuss it without incurring suspicion of partisanship on the one side or the other. Yet there is no question of abstract principle in the whole realm of social science which deserves more immediate attention. Nothing could more directly relieve the present tension between economic classes than the demonstration of a valid generalization, and the acquiescence of all concerned in the generalization, as a substitute for the present friction between the two fallacies just noted.

Having pointed out that Smith does not hunt down the ultimate justification for profits, but merely goes back far enough to assert that capital would not be employed if profits did not

accrue, we need not attend further to this step in the argument.[27]

Smith takes matters as he finds them, and, quite in the spirit of routine bookkeeping, charges up profits as one of the items of the cost of commodities. To be as specific as possible, he denies that profits are a species of wage, and concludes that "the profits of stock constitute a component part altogether different from the wages of

[27] It would be quite in order, however, to take this early occasion for challenging the universality of Smith's generalization, which has done yeoman's service throughout the period of classical economics. In the great majority of cases, as the world now goes, men would seek for safe ways to hoard their wealth, if they could not get profits from investments. Of course, I am now using the term "profits" in the loose sense which includes interest. How much of this disposition would yield to other motives, if conditions were changed in quite thinkable ways, we need not try to decide. We find the actual tendency, however, to put security above income in the case of vast aggregates of wealth today. Moreover, men sometimes prefer to capitalize some of their wealth in economically non-productive improvements—architecture and other fine arts, museums, endowment of teaching, research of all kinds, exploration, experimentation in countless lines, etc., etc. That is, the motive of acquisition is sometimes overborne by non-acquisitive motives. Even in case the desire of gain is uppermost, it is not difficult to imagine changes in legal regulations which would make investment with no other return than governmental guarantee of the security of the principal, preferable in many cases to the alternative of personal labor by the owner in making his capital productive. In other words, the principle that men will not invest their money without pros-

labour, and regulated by quite different principles." [28]

Labor, then, being the first element in the price of commodities, and profits the second, Smith enters as the third element in the schedule the item of rent:

> In every society the price of every commodity finally resolves itself into some one or other, or all of those three parts; and in every improved society all the three enter more or less, as component parts, into the price of the far greater part of commodities.[29]

The question whether or not rent is a part of price was not allowed to stand as settled by

pective profits is unquestionable common-sense for everyday use. It would be absurd to calculate upon any other presumption for immediate practical purposes. At the same time, the principle has no such finality as has usually been claimed for it. It is subject to variations even to the degree of entire suspension. Before psychology and sociology have their final reckoning with economics, the supposition that the prospect of profits is an inexorable precondition of the employment of capital will be extensively qualified. The fact that it has usually passed as final is an incident of the essentially technological character of classical economics. It is enough merely to mention here that this item in the account between technology and philosophy is still unsettled.

[28] P. 50. Here again Smith seems to be declaring not only what is, but what in his opinion should be; thus indicating that he was unconscious of a debatable issue at the point where Marx made his first assault.

[29] Pp. 50, 51.

Smith's dictum, but we may regard it as falling so exclusively within the limits of economic technology that we need not deal with it in the present study.

Without attempting even to indicate the possibilities of adding to Smith's theory of price by observing the extra-economic social factors which are more or less frequent variations of the principal factors, it may be suggested, in passing, that premium, bonus, prize, stimulus, has been in many cases an important element in prices, especially in recent times. Whether this element has been introduced wisely or unwisely is not in question. The element is there. Every patented or copyrighted article commands a higher price than it would without legal reinforcement of its purely economic claims, and that increment is the contribution which society pays to spur the individual to effort. It is not always, but often, more than the market value of his labor, if the other elements of price were alone considered. A considerable fraction of the price of tariff-protected articles must be charged up to this item. Another element of price, which amounts to much more in our day than in Adam Smith's time, may be scheduled as the cost of creating the market. Everything which may be put under the general head "advertising" is

referred to in this connection. Whether such items as these are of sufficient importance to cut much figure in economic theory, they are significant indexes of the constant fact that economic processes are always carried on in a larger social medium, and are more or less modified by influences that are external to the economic process itself.

In this same chapter there is incidentally a confession of the naïve view which Smith held of interest. The revenue derived from stock

> by the person who *does not employ it himself*, but lends it to another, is called the interest or the use of money. It is the compensation which the borrower pays to the lender for the profit which he has an opportunity of making by the use of money. Part of that profit naturally belongs to the borrower who runs the risk and takes the trouble of employing it; and part to the lender, who affords him the opportunity of making this profit.[30]

Whatever is to be said from the sociological point of view about the theory of interest may be reserved for application to a maturer form of the economic statement.

At the close of this sixth chapter Smith recurs to an item in the general calculation to which he had already alluded. He says:[31]

> If the society were annually to employ all the labour which it [the annual produce] can annually purchase, as

[30] P. 53. Cf. pp. 127–31; 174, 175, below. [31] P. 56.

the quantity of labour would increase greatly every year, so the produce of every succeeding year would be of vastly greater value than that of the foregoing. But there is no country in which the whole annual produce is employed in maintaining the industrious. The idle everywhere consume a great part of it; and according to the different proportions in which it is annually divided between those two different orders of people, its ordinary or average value must either annually increase or diminish, or continue the same from one year to another.

This again is a perception which carries social implications far in excess of its meanng for mere economic technique. They have not yet been carefully developed, and they have consequently not been sanely applied to theories of social progress. They have been obscured by all the economic emphases which have been impelled by an interest to make it appear that the word of economic technology should be the final word in social discussion. We shall have occasion to recall this passage when we come to analyze the latest phases of democratic theory.

The deeper we get into the current of Smith's argument, the more difficult it is (not simply to distinguish between factors which are primarily technological on the one hand, and primarily sociological on the other, but) to resist the temptation to abandon our purpose to deal exclusively with the sociological factors. Since

every economic process has relations sooner or later with all the other social processes, the concreteness of the economic picture which Smith almost invariably presents is a stimulus which almost irresistibly prompts the sociologist to accept it as a challenge to trace out the extra-economic social elements in the phenomena, even when the technical elements are obviously paramount from the point of view of the author's inquiries.

The next following five chapters (VII–XI), on the general subject of the factors entering into the price of commodities, might furnish texts for many times that number of chapters on the social variants of "natural" and "market" price. If we should enter upon a subject of this sort, however, it should be with the latest economic formulas as the brief in view of which we should draw up our own plea. It would introduce unnecessary confusion if we should attempt to restate in sociological terms all of Smith's propositions about price. In the first place, they are primarily technological, not sociological. In the second place, they appear in present economic theory with much revision, so that to a considerable extent we should be wasting our strength trying to do over again much that the economists have meanwhile done, if we tried to restate Smith's doc-

trines in detail. Our cue at this point, therefore, is, first, to note that the argument now becomes relatively technical, with the extra-economic factors relatively negligible; second, that at the outset of this technical inquiry a prime sociological question is waived, and that this sociological question is ever present with us when we face our practical problems of correlating our economic systems with the remainder of our institutions. We must make this last statement more explicit.

At the beginning of Chapter VII Smith introduces the distinction between "natural" price and "market" price. He says:

> There is in every society or neighbourhood an ordinary or average rate both of wages and profit in every different employment of labour and stock. This rate is naturally regulated, as I shall show hereafter, partly by the general circumstances of the society [*sic*], their riches or poverty, their advancing, stationary or declining condition; and partly by the particular nature of each employment.
>
> There is likewise in every society or neighbourhood an ordinary or average rate of rent, which is regulated too, as I shall show hereafter, partly by the general circumstances [*sic*] of the society or neighbourhood in which the land is situated, and partly by the natural or improved fertility of the land.
>
> These ordinary or average rates may be called the natural rates of wages, profit, and rent, at the time and place in which they commonly prevail.
>
> When the price of any commodity is neither more nor

less than what is sufficient to pay the rent of the land, the wages of the labourer and the profits of the stock employed in raising, preparing and bringing it to market, according to their natural rates, the commodity is then sold for what may be called its natural price.

The commodity is then sold precisely for what it is worth, or for what it really costs the person who brings it to market. . . . .

The actual price at which any commodity is commonly sold is called its market price. It may either be above, or below, or exactly the same with natural price.[32]

As a rough and ready formal division, the distinction is of course perfectly familiar and obvious and necessary. When we attempt to apply it to a concrete case of price in a modern community, however, we encounter a difficulty, not with the formal principle of division, but with questions of fact which should determine the application of the principle. Perhaps the essence of the matter may be suggested by a mere verbal correction. If we substitute for the phrase "natural price" the term "customary price," we at once raise the question whether there is a difference between the two concepts. If we think the question through, there is little room for doubt that Smith's phrase harbors a fundamental fallacy. The "customary," in price as in other things, may be far from the "natural," if we

[32] Pp. 55, 56.

mean by "natural" that which is most nearly in accord wtih the permanent or essential nature of things. For instance, suppose a community has for a generation been paying for its illuminating gas a price which includes a profit on watered stock equal to two or three times the market rates of interest on the actual capital invested. If we adopt the contention of the gas company that it is entirely within its rights in watering its stock and in treating the fictitious investment as though it were real, then it would make no difference whether we used the phrase "natural" or "customary" price. In other words, so soon as prices, whether in the element of rent, or profits, or wages, come to be in question on grounds of equity, it makes all the difference in the world with our decision how much of the variable and arbitrary "general circumstances of the society" we assume to be natural and necessary, and so inflexible factors of price.

All the mooted social questions of today over economic claims of various classes are to a greater or less degree contests over the claim that vested or customary rights are natural rights. There is never a question between democracy and privilege, especially if the privilege has actually been exercised, in which it is not contended, openly or tacitly, on the side of the

privilege, that the privilege is in accordance with the eternal nature of things. At this moment the extreme "stand-patters" on the subject of the American tariff do their best to make their fellow-citizens believe that the bonus which the law gives them is a price which they have as natural a right to collect of the consumer as the laborer has to collect his hire. The men who have fixed railroad rates in the past want perpetual freedom to make rates without governmental control, and they claim that such freedom is "natural," while governmental control is unnatural.

That is, all the conventionalities which fix the standard of living in a given community may for a long time be taken for granted, and accordingly the wage of unskilled labor may be less for a month in Russia than the wages for the same class of labor may be for an eight-hour day in some parts of the United States. The Russian employer and the American employee could not be brought to an agreement as to which of these rates of wages, if either, represented the "natural" price of labor. So far as the bookkeeping of a particular industry is concerned, or the conditions of competition in a given market, customary price may be treated as "natural" price. But the moment price becomes a moral question, by being brought into the arena of conflict between

groups with antagonistic interests in distribution, then the previous question is always in order; viz.: How much of customary market valuation is not natural but unnatural? To what extent have the conventionalities of society interfered with the natural equilibration of the claims of all the members of society?

Again we must remind ourselves that at Adam Smith's time there was a minimum of occasion for imagining that there could or should ever be any considerable modification in the laws of property in Great Britain. British institutions, on their strictly economic side at least, as distinguished from the politico-economic phases as involved in such a question as restricted or free foreign trade, must have seemed to Smith nearly as firmly settled as the rock-bound coasts of the kingdom. It cost him no stretch of the imagination, no stultification of mind or conscience, to assume that the customary social stratification, from landed gentlemen to navvy, was in rough correspondence with natural law. In the middle of the nineteenth century, on the contrary, especially in Germany, doubts had already disturbed such sunny satisfaction. To-day the operation of the same principles which Smith took for granted produces anomalies which no judicially minded person can overlook.

We have come to understand that there are really three categories of price, instead of two. We may call these "customary price," "market price," and "normal price." The last phrase means just what the words might have meant to Adam Smith, minus the implication that the third and the first categories necessarily correspond. Everyone who perceives that the last valuation of everything in this world must be in terms of people, not in terms of commodities, is beginning to draw the inference that there is always an open question whether the current scale of prices takes sufficient account of human values to approach as near as possible to normal prices.

I am not at all sure that socialists of the Marxian or any other type are really nearer in sympathy than Adam Smith was to the practical application of the human measure of value. Socialism seems to be, in fact, in the aggregate, less a contention for application of deeper moral principles, than a contention for admission of a larger number of people to a share in the dividends of the moral principles than now prevail in society. Socialism does not seem to be really a program of more respect for men, but rather of respect for more men. So far as it goes, even this is an impulse in the direction of more authentic democracy. More radically democratic,

however, than any socialistic principle, is the perception that the capacity of people to convert material goods and opportunities into higher values is the last measure of price which it is possible to apply. It is always an open social question whether there are artificial and arbitrary restrictions of the equal freedom of all to exercise this capacity. So far as a disposition to entertain this question is an item in "the general circumstances of the society," a force is at work tending either to strengthen prices, because they approximate a scale dictated by due appraisal of human values, or to rearrange prices with more regard for the human term in the calculation.

There is no fig-leaf of economic shame discreetly drawn over Smith's admission that all the products of labor belonged to the laborer till private property in land and the accumulation of stock made a new situation.[33] Although Smith regarded these as artificial, in a sense contrasted with primitive, it does not seem to have occurred to him that they were artificial in a sense opposed to his term "natural" any more than the division of labor itself. There was nothing to excuse about one of these phenomena more than about all. In spite of keen vision for what he would

[33] Chap. VIII, p. 65.

regard as the accidents of a system which was essentially rational or "natural," in spite of such details as that, "We have no acts of parliament against combining to lower the price of work; but many against combining to raise it," [34] Smith accepted the ground-plan of British economic institutions as unassailable. The inferences drawn by Marx from premises so nearly identical with those of Smith would have seemed to the latter so preposterous that he was under no sort of embarrassment in stating those premises with perfect frankness. No social phenomena had appeared to make Smith doubt that in general the capitalist's claim to profits and the landlord's claim to rent is as clear as the laborer's claim to wages. In other words, slightly varying our previous statement, Smith did not doubt that the wage system was essentially a righteous system, in spite of the fact that it permitted a part of the product to go to the landlord, and another part to the capitalist. The reasons which seem to account for this apparent anomaly in Smith's thinking have already been referred to. They may be grouped under two heads: first, the incomplete differentiation of laborer, capitalist, and landlord at Adam Smith's time; second, the virtual universality of the functionally useful

[34] P. 67.

landlord and capitalist, wherever the differentiation had occurred.[35] That is, there was hardly more room for doubt that the typical country gentleman was an active part of the system of agricultural production than that the farm hands on the estate were economically productive; and there was scarcely more doubt that the typical capitalist was an active factor in the production of manufactured goods than there was that the hands in the mills were producers. To express it in another way, at Adam Smith's time it was in general true that a man was a landlord because he was a producer, and a producer because he was a landlord. In like manner, another man was a capitalist because he was a producer, and a producer because he was a capitalist. In either case the landlord or the capitalist was doing work that would have to be done by somebody, if the given line of industrial efficiency were maintained, regardless of the political and legal arrangements that adjusted property rights within the industrial system of the country. There was a minimum of occasion for the kind of analysis which would press the question: Is the title of the landlord and the capitalist to a part of the product based on their function in production; that is, are these types merely varieties of

[35] Cf. pp. 149–52, below.

laborers, worthy of their hire like other laborers; or is that title based merely on their legal relations to the politico-economic system through the institutions of property? Since this question was not distinctly presented, it was easy for the economic theorist to entail upon his successors the confusion which we discussed above from a slightly different point of view. Landlord and capitalist, as landlord and capitalist, were not sharply distinguished from landlord and capitalist as laborers. So it came about that a certain odor of sanctity was thrown around the purely legal claims of landlord and capitalist, and this presumption excluded from economic theory unprejudiced examination of the difference between their claims as landlord and capitalist and their claims as laborers. Thus economic theory failed to discriminate at the outset between the mere problem of accounting, between different partners in a productive process, and the moral problem of property rights based on any other grounds than the relative value of services performed by different individuals. This suppressed moral element in social theory was a part of the force that presently exploded in the form of Marxian socialism. It has also furnished a large fraction of the energy of general sociology.

We may reduce the statement of the abortive-

ness of early economic theory to this form: There are questions of fact and of principle between claims to material goods based on labor, and claims based on conventionality. The former claims we may call essential; the latter we may call institutional. Traditional economics assumed that in their main lines essential and institutional economic claims corresponded. As the social system became more developed, the phenomena of property presented anomalies which impeached this assumption. The differences between the classical economists and all their critics run back to this one contrast. The latter have all along insisted that the impeachment ought to be tried. The former have protested that it should not.

Thus the issues between technical economics and social philosophy in general are not economic questions if we confine the term to classical definition. They are moral questions which economists have supposed to be coterminous with principles of economic technology. For instance, there is really no difference between Smith and Marx on the economic elements in the principles of profits, nor between Ricardo and Marx on the economic elements in the principles of rent. The quarrels between them arise over the righteousness of social arrangements which impute to classes of individuals economic functions in

accordance with the principles, and which assign to those classes corresponding shares of goods, while their actual share in the economic process is questionable. Economic theory became consequently a supporter of the system which assumed the inviolability of the existing institutions of property in land and capital. Demanding that this question of inviolability be begged at the outset, economic theory made scientific impeachment of those institutions merely a question of time. Bent on blocking any inquiry which probed back of the righteousness of the ground-plan of our institutions of property, economic theory has been driven to amusing dodgings from pillar to post in recourse to one explanation after another which sought to justify vested rights on any other ground than a social-service basis; i. e., that the individual who enjoys the rights fulfils his part of the social give-and-take by being a worker in return for what he gets.

Again we point out the probability that there would have been no Marxism, except as a political movement, if economic theory, from Adam Smith's time, had squarely faced the problem: What are the primary economic elements, and what are the accidental conventional elements, in our system of property rights? We should probably have been spared a large part of the confu-

sion which permits certain types of social agitators to treat all private ownership of land as in principle and in practice absentee landlordism, and all private ownership of capital as in principle and in practice stock-watering and gambling. Modern sociology is a necessary protest as much against the extreme prejudice of the economists as of the socialists.[36]

Another of the passages which provoke speculation as to the direction which Adam Smith's theory would take if he lived in our time occurs in this chapter.[37] It is as follows:

Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconvenience to the society? The answer seems at first sight abundantly plain. Servants, labourers, and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. *It is but*

[36] The beginnings of the classical subsistence-minimum theory of wages, as contained in Chap. VIII of *The Wealth of Nations,* may be passed over in this discussion, for the reason that the technological aspects are made foremost, and the moral question is not allowed to emerge. Thus the subject in this form is an illustration of the above remarks about the suppression of the paramount issue. The beginnings of the *wage-fund theory* are also in this chapter (p. 70).

[37] P. 80.

equity, besides, that they who feed, clothe and lodge the whole body of the people, should have such a share of the produce of their own labour, as to be themselves tolerably well fed, clothed and lodged.[38]

The only comment necessary is that in the author's mind the phenomena of economic distribution still had something to do with "equity." If he had believed that anything like the "iron law of wages," which later theory asserted, told the whole story, such a reference to "equity" would have been an impertinence. The passage immediately following this paragraph may be called the prologue to Malthus' *Essay*.

The discussion of "The Profits of Stock," in Chapter IX, continues the presumption that there is no occasion for inquiry back of the prevailing British economic system. The chapter is in no sense an investigation of the social basis of the system. It is merely an explanation of the way the system works. The principal theorem is in the first two paragraphs, viz.:

> The rise and fall in the profits of stock depend upon the same causes with the rise and fall in the wages of labour, the increasing or declining state of the wealth of the society; but these causes affect the one and the other very differently.
>
> The increase of stock, which raises wages, tends to lower profit. When the stocks of many rich merchants

[38] Italics mine.

are turned into the same trade, their mutual competition naturally tends to lower its profits; and when there is a like increase of stock in all the different trades carried on in the same society, the same competition must produce the same effect in them all.

We have said above all that is necessary to mark the relation between these purely technological propositions and the more fundamentally moral question of principles of distribution.[39] Neither the present propositions, nor the subsequent controversies about the relations which they purport to formulate, are our direct concern. They affect this argument only when they leave the field of economic technique and touch upon antecedent principles of social organization. Smith recognizes the extra-economic variants in the returns from capital in such instances as these:[40]

A defect in the law [*sic*] may sometimes raise the rate of interest considerably above what the condition of the country, as to wealth or poverty, would require. When the law does not enforce the performance of contracts, it puts all borrowers nearly upon the same footing with the bankrupts or people of doubtful credit in better regulated countries. The uncertainty of recovering his money makes the lender exact the same usurious interest which is usually required from bankrupts. Among the barbarous nations who overran the eastern provinces of

[39] P. 119, *et passim.*

[40] P. 98, Chap. IX.

the Roman Empire, the performance of contracts was left for many ages to the faith of the contracting parties. The courts of justice of their kings seldom intermeddled in it. The high rate of interest which took place in those ancient times may be partly accounted for from the same cause.

This passage not only recognizes that less effective legal administration affects property rights unfavorably, but it also implies that a more effective legal administration affects property rights favorably.[41] Here again is a neglected point of departure for a wider inquiry than classical economic theory or practice looked upon with favor. We may say that the problem was near at hand: Under what circumstances, and in accordance with what major and minor principles, does it become the public interest that the operation of economic self-interest should be modified by positive law? Instead of facing the problem candidly, the whole prestige of classical economics was exerted in the nineteenth century to discredit every tendency to entertain this fundamental question. The assumption of classical economics was that all the laws which fortified existing property interests were "natural," while all laws which might tend to readjust existing

[41] Chapter X, Part II, is another illustration of the same concession.

property interests would be unnatural.[42] This was both moral and logical fallacy. In theory it begged the question, and in practice it exerted the right of might. To that extent it reduced economic theory and practice to the status of an untenable social provincialism. The human perception that people are more than property was bound sooner are later to repudiate that provincialism. Marxian socialism is the extreme antithesis of the smug assumption of the classicists that conventional property rights are the normal standard of public interests. Modern sociology protests against the tendency at either extreme to treat the question as an issue to be settled by measure of strength between classes. It is a question of social economy in the deepest sense. It is a question of the ways and means of allowing all human interests to realize themselves most harmoniously. Whether the property institutions of a given society afford the fairest field for proportionate realization of all the social interests, is a question that will always be in order, just as

[42] This proposition is apparently contradicted by the sturdy fight of Adam Smith and some of his successors for "free trade." The proposition is essentially correct, in spite of this and other seeming exceptions. The wealth interests of any country will easily convince themselves that it is "natural" for the laws to give them more favor, but they will seldom see anything "natural" in limitations of their scope.

much as the engineering question whether power and friction in a given machine have been reduced to the most efficient adjustment.

The initial fallacy of the system which developed from Smith's beginnings was, not that it denied the existence of factors which vary the operation of economic self-interest, but that it assumed a permanent equilibrium between these factors, a static condition so far as division of function between economic and political forces was concerned; and it resisted all impulses to test the validity of the assumption. Whether increasing divergence of economic class interest had provoked attacks upon this position or not, it is logically so naïve that it could not permanently have escaped detection as obvious sophistry. The most rudimentary sociological analysis distinguishes between social conditions that are due principally to the action of unmixed economic forces, and those that are affected by the volitions of individuals or groups. In so far as social conditions are a product of the latter factor, or are susceptible of modification by the latter factor, it is always a pertinent problem, first, to what extent the conditions are due to human will, and, second, to what extent, and by what means, further exercise of human will

might be in accordance with the entire system of human interests.

The failure of classical economics to remain on the level of Adam Smith's moral philosophy is not to be found primarily in its specialization upon economic technology, but in its dog-in-the-manger spirit and practice toward the larger questions than those of mere economic technique, which had a fairly intelligent place in Smith's thinking. By estopping investigation of these larger relations of economic activity, the classical economists turned a dignified division of Smith's system into, not only a dismal, but a dangerous, sectarianism. It became a class litany. As a program it was relentless selfishness. As a theory it was bigoted obscuration. Only persons futile enough to be convinced by such perversions could be surprised at the reaction which appeared in the whole scale of dissent, from the cautious inquiries by which John Stuart Mill first gave sign that he was beginning to see with his own eyes, to the vagaries of the most irresponsible anarchist. If the economists had cultivated the whole philosophy of their teacher, instead of an abstracted section of it, much of the occupation of socialistic sectarians would have been gone. If the economists had not suppressed the truth on the one hand, there would

have been less plausibility in the visions which the socialists are exploiting on the other. There are functional relationships in society which are neither fixed by economic self-interest alone nor prejudiced by the play of puerile speculation. A social philosophy more comprehensive than merely economic opportunism, is bound to make progress toward discovery and interpretation of these relations, and toward justification of social programs which aim to secure for each of the distinct social interests its due ratio of attention in the conduct of life.

In connection with Chapter X, "Of Wage and Profit in the Different Employments of Labour and Stock," it should be pointed out that Smith makes more of the labor element in the so-called profits of some employments than has been explicit in many of the later economists. Thus in a typical case of small trade, he says: "The greater part of the apparent profit is, in this case too, real wages." [43] Economic theory would have kept off another lea shore if it had adhered to the hypothesis that all legitimate income is essentially a wage, the hire of labor rendered. It would then have had a credible basis for criticism of all incomes in the degree in which they are disproportionate with services rendered by the persons

[43] I, p. 116.

drawing the income. The fact has been, however, that, as a rule, the rent and interest elements of income have been defended less on the ground of service performed by landlord or capitalist than for one or more of several alleged reasons which are less convincing. To be sure, it is often easy to detect in these arguments more or less surreptitious recourse to the claim that the landlord or the capitalist is a laborer, and therefore worthy of his hire. There is very seldom any sign on the part of theorists who smuggle in this appeal, that they are aware that, so far as the consideration is pertinent at all in a given case, it sanctions the income of the given capitalist or landlord, but it does not touch, one way or the other, the case of true economic interest or rent. This has been pointed out with something approaching finality by Böhm-Bawerk,[44] but it is impossible to determine to what extent responsible economists even today have assimilated the perception that the equities of interest and rent, in the strict sense, are not illuminated in the slightest degree by proof that given types of capitalists and landlords are entitled to wage. Not even Marxians who understand their teacher deny that the Astors and Rothschilds are entitled to a wage for every stroke of labor that they per-

[44] *Capital and Interest.*

form. Modern questions of distribution turn upon those factors of income which cannot by any jugglings of terms or stretchings of imagination be accounted for as returns for services rendered.

Chapter XI, "Of the Rent of Land," is even more than the chapters on wages and profits an account of what is ordinarily visible in transactions between the parties concerned—in this case landlord and tenant. As in the case of profits, there is no indication that the thought of examining the question why a landlord is entitled to rent at all had ever occurred to Smith. The relation of landlord and tenant, and the payment of rent by the latter to the former, apparently seemed to him hardly less a part of the necessary order of things than the relation of children to parents. In so far as the differences between Smith's analysis of rent and Ricardo's are details of economic technology, they are not pertinent to our purpose. When we make the same inquiry about Ricardo's relation to the problems of sociology which we are now making about Adam Smith, it will be proper to ask whether Ricardo was more or less conscious than Smith of the social factors, as distinguished from differences of fertility, which the phenomena of rent brought into question.

The entire remainder of Book I is clear evidence of the essentially technological character of the whole treatise. Pages 183–261, in particular, contain material which would be entirely in place on the editorial pages of a financial or trade journal. These pages, with those that follow (261–73), are primarily valuable today as material for history of the development of that division of economic technology in which Ricardo may be said to have formulated the Newtonian laws. All through this technical discussion hints occur pointing to the extra- or semi-economic factors which have to be accounted and provided for, even in a predominantly economic consideration of rent. None of these are sufficiently prominent, however, to demand further attention for our purpose. Smith himself states the general fact in these words:

> I shall conclude this very long chapter with observing that every improvement in the circumstances of the society tends either directly or indirectly to raise the real rent of land, to increase the real wealth of the landlord, his power of purchasing the labour, or the produce of the labour of the people.[45]

The difference in this connection between classical economics and economic liberalism of all types, to the extreme of Marxian socialism, is in

[45] P. 261, Henry Georgeism in the yolk.

a word that, both taking the above generalization to be true, the former maintains that there is no way to prevent the economic law from doing its perfect work; the latter maintains that the artificial arrangements of society have given to the landlord class a monopoly of the advantages that accrue from the workings of that economic law; and that mature social intelligence and competence must inevitably rearrange the institution of property in land so that rent will be more equitably distributed. The one declares that there is no social problem at this point; the other declares that the social situation as respects rent is impossible, and that class struggle must grow more and more acute until the negation of democracy involved in our system of land-tenure is recognized, and the conflicting claims of persons to the equity which society arbitrates are settled so as to satisfy democratic standards of justice.

There could be no more clear-cut illustration of the facts that, in the first place, there are social problems in which the economic factor constitutes only one of the terms; and, in the second place, that the economic factor is not necessarily the decisive term. Rent is an economic phenomenon which would be present, like the power of falling water, regardless of property rights in the

land or the stream. The rights that people shall accord to each other in appropriating rent or water-power must tend to reflect more and more people's valuations of one another, not their consideration merely of rent or of water-power. In this connection the social problem is: *Rent being an algebraically definable portion of the produce of land, how shall we discover the formulae of the relation of all the people to rent?* This question opens up the whole realm of super-economic moral economy, or of sociology in the larger sense.

When Adam Smith's chapters on rent were written, the uneasiness in the American colonies was not taken seriously enough to bring even political democracy, as we now understand the phrase, into the reckonings of practical politics. An economic democracy which could call in question the time-honored caste distinction between the landlord and the landless was a possibility too remote to attract Smith's attention. The outlook of classical economics may accordingly be represented by this question: *The general structure of society as we have it being final, what are the conditions which such a society confronts in its attempts to increase material wealth?* The outlook of progressive democracy may be represented by the question: *The general structure*

of society as we have it not being final, what are the conditions which an evolving society confronts in its attempts to clear the way for increase of all human values? Since the classical economists started with the assumption that things are final which are not final, it is not at all surprising that, after they had satisfied themselves about the fact of rent and the measure of rent as actual economic phenomena, they should at the same time have felt satisfied that the formulas of rent must apply to the ownership of rent as a social phenomenon. But the phenomena of rent, like the phenomena of exhaustion of the soil, would be invariable in principle, whether a Conqueror owned every foot of the land, or Plantagenet feudalism prevailed, or nineteenth-century liberalism developed, or Marxian socialism took possession. Who shall own the rent which accrues according to certain laws, regardless of the institutions of property, is a question as distinct from the fact and the amount and the formulas of rent, as the practical problem of an individual farmer, whether or not he will adopt scientific methods of cultivation, is distinct from the principles of deterioration which the agricultural chemist discovers.

We repeat, therefore, the primary claim of this argument: that there is no proper incongruity

between economic and sociological theory, and that sociological inquiry in no sense challenges the authority of economic technology, within the field of its proper competence. The deadening influence of classical economics was due to its failure to see that human beings and their associations, as well as their wealth-producing technique, are in process of evolution; and that this whole social process is a tribunal which must continually review the judgments recorded in parts or stages of the process. How does rent arise, and how is it distributed in a given type of society? are questions of pure economic technology, and no sociology can supersede the technology that discovers the positive answers to those questions. Ought the type of society which distributes rent in a certain way to be modified? is a question which is just as pertinent in its place as the question whether any medicine at all, and if so what medicine, should be prescribed for a given patient. The question of desirable social modification can no more be answered solely by the same technology which formulates the principles of rent, than the questions of practical medicine can be answered solely by anatomy or analytical chemistry.

The classical economics was industrial positivism, but social fatalism. Human interests

could not permanently consent to be limited by that type of impertinence. Human interests promise the prevalence of some sort of a theory of constructivism, not merely for one of their elements, but for all combined. Classical economics virtually proclaimed the finality of a social régime in which the maximum production of wealth should be the dominant purpose, and the maximum development of persons should be only a secondary consideration. All the social philosophies which take issue, more or less directly and consciously, with this central contention, virtually deny that wealth can be made the criterion of life, and assert that the ultimate standard of life must be found in people rather than in their material conditions. This is really reasserting Adam Smith's belief that the fundamental philosophy of life is moral, and that economic technique is merely incidental to the running of machinery which is always at last subject as a whole to the disposition of laws which lie outside of its own operation. We say again that the main movement on the theoretical side of present social problems is toward attention to the larger incidence of social relations than the immediate successors of Adam Smith recognized.

Before passing from this subject, it is necessary

to quote one more passage, as a sample of the indorsement which Adam Smith's unsuspicious study of economics furnishes to present social agitation. It is at the same time an index of the attitude which he would have taken if he had lived until his presumption of a statical condition of social structure had been destroyed by the actual changes that have occurred meanwhile. He says:

> The whole annual produce of the land and labour of every country, or what comes to the same thing, the whole price of that annual produce, naturally divides itself, it has already been observed, into three parts; the rent of land, the wages of labour, and the profits of stock; and constitutes a revenue to three different orders of people; to those who live by rent; to those who live by wages, and to those who live by profit. *These are the three great, original, and constituent orders of every civilized society, from whose revenue that of every other order is ultimately derived.*[46]

[46] I italicize this sentence, not because there can be profitable dissent from it as a statement of historic fact, but because Smith's present tense is apparently that of universal time. It declares what, in his opinion, is, was, and shall be. But it by no means follows that his mind would have been impenetrable by the force of subsequent events. There would certainly have arisen, sooner or later, a conflict between the implications of his labor theory of the origin of wealth, and his assumption of the permanence of the existing type of social structure. I cannot imagine a man of his breadth and judicial poise persisting in his view of the finality of a given social structure, if all the light had been shed upon that view which intervening

The interest of the first of these three great orders, it appears from what has just now been said, is strictly and inseparably connected with the general interest of the society. Whatever either promotes or obstructs the one, necessarily promotes or obstructs the other. When the public deliberates concerning any regulation of commerce or police, the proprietors of land never can mislead it, with a view to promote the interest of their own particular order; at least if they have any tolerable knowledge of that interest. They are, indeed, too often defective in this tolerable knowledge. They are then only one of the three orders *whose revenue costs them neither labour nor care, but comes to them, as it were, of its own accord, and independent of any plan or project of their own.* That indolence, which is the natural effect of the ease and security of their situation, renders them too often not only ignorant but incapable of that application of mind which is necessary in order to foresee and understand the consequences of any public regulation.[47]

We must remember that the rack-renting absentee landlord had not yet been examined

events have generated. Even the hints in the paragraph that follows contain indications that he was partially aware of possible anomalies in the workings of our institutions of landed property. It is not at all difficult to believe that if he had considered all the anomalies which are common knowledge of all who have made fairly thorough use of social information today, he might have been among those who say that private property in land justifies itself just so long, and so far, as it proves itself on the whole more serviceable to society at large than any modifications that could be introduced. (Cf. p. 129, above.)

[47] P. 263.

under the microscope. The country gentleman whom Adam Smith knew had probably never furnished medical practice a case of nervous prostration as a result of excessive attention to duty, either as head-farmer of the estate, or as magistrate, or as member of Parliament. He was lazy enough at best, but as a type he always represented a certain social service at worst. He did not merely live a life of luxury and display and riot in London, while people who worked in Ireland stinted themselves to support his extravagance by their tribute. It is inconceivable that Adam Smith could have continued to regard traditional laws of landed property as beyond the region of debate, after the corollaries of those laws had worked themselves out to the pitch of absurdity which the extreme anomalies of absentee landlordism have meanwhile exhibited. Whatever Americans may think about the political constitution of Germany, there is certainly nothing visionary about her economics. Germany has incorporated with her system of taxation so nearly a system of social appropriation of the rent element in the returns from land, that its financial system is virtually a categorical denial of the equity of tolerating a private income in the form of rent in the strict sense. The lengths to which Germany has gone in claiming rent for the

state, as a matter of public policy, are more obstinate evidence than all the abstract arguments, that the classical assumptions in this connection were premature generalizations.

A word is also in order with reference to Adam Smith's allusion, at this same point,[48] to the fact that, while the interests of the order that lives by wages are also intimately dependent upon the interests of society in general, the members of that order do not, as a rule, know how to represent their own interests.

> In the pubilc deliberations, therefore, [the laborer's] voice is little heard and less regarded, except upon some particular occasions, when his clamour is animated, set on, and supported by his employers, not for his, but their own, particular purposes.

Adam Smith was not so fatuous as to assume that, if the laborer should one day rouse himself from this numb acquiescence, or break away from his stupid tutelage, he would be defying the laws of political economy. In his pedantic scoldings of modern liberalism, Herbert Spencer exploited precisely that futile presumption. That which Smith realized with regret, the defective social activity of the wage-earner in contending for his own economic interests, seemed to Spencer a providential dispensation. The liberalism which

[48] P. 263.

he bewailed and belabored [49] was essentially the very activity of the laboring man in his own interest, the absence of which Smith lamented. It is to be expected that while the masses of wage-earners are getting their education they will repeat many of the same errors which other social classes have committed while they were going through the same process. Democracy has gone so far, however, in setting free the physical and mental and moral energies of wage-earners that they must necessarily exert an increasing ratio of power in molding social institutions according to the dictates of their interests. In future litigation of class interests, labor is bound to be better represented than in the past. This means that, whether we will or no, the social theorems which have seemed to cover the ground, from the standpoint of property interests, are bound to be revised so as to admit more accurate calculation of the previously silent majority. This not only must be, but should be. It is not a symptom of social demoralization, but a sign of healthy social progress. Speaking of those who live by profit, Smith observes: [50]

> The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be

[49] *The Man vs. the State.* [50] P. 265.

adopted till after having been long and carefully examined, not only with the most scrupulous but with the most suspicious attention. *It comes from an order of men whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it.*

The meaning of the *laissez-faire* clause in classical economics was in effect: "Let capitalistic interests alone in deciding for themselves what laws shall be on the statute-books." We have had a period of excessive liberty of capital to exercise the predominant influence in making the laws that affected its activities. We are coming into an era in which non-capitalistic interests are demanding their share of hearing upon the same class of laws. There can be little doubt that, whatever he might have thought about specific traits and details of this modern development, if he had lived to see it, Adam Smith would have pronounced it in principle a tendency in the direction of more just social balance.

IV

THE ECONOMICS AND SOCIOLOGY OF CAPITAL

Before continuing the argument, we should take our bearings by means of certain plain way-marks, viz.:

First: The divisions of our subject-matter correspond with those in *The Wealth of Nations.*

Second: Those divisions were necessarily arbitrary.

Third: It was impossible for Adam Smith to exclude consideration of capital from Book I of *The Wealth of Nations,* although the subject of the book was primarily labor.

Fourth: It was impossible for Adam Smith to exclude consideration of labor from Book II, although the subject of the book was primarily capital.

Fifth: In following Smith's analysis of the relations of labor to economic phenomena in general, we encounter at every step relations of both to wider moral phenomena.

Sixth: We shall have a like experience in following his analysis of the relations of capital to the economic process.

Seventh: This situation illustrates a wide

generalization, which is at the same time a sociological axiom; viz.: *None of the activities of men occur in isolation from one another; they form an interlocking process; they are therefore factors at last in the whole system of moral cause and effect which presents the problems of sociology.*

Eighth: The consideration of economic activities from the sociological point of view is not therefore a matter of choice, if we admit the obligation to learn the whole truth about economic facts. The more-than-economic in the relations is just as real an element in economic activities as the simply-economic.

Ninth: In brief, the economic question is: To what extent is it possible to discover relations of cause and effect so far as they terminate in wealth?

Tenth: The corresponding sociological question is: To what extent is it possible to discover relations of cause and effect so far as they terminate in persons?

Eleventh: Since wealth can have no meaning to our minds outside of relations to persons, it follows that all formulas of wealth have the logical rank of partial products, or trial divisors, incidental to ultimate calculation of formulas of persons.

Twelfth: Consequently, when an economic inquiry is started, the only alternatives are, first, to arrest the process of inquiry arbitrarily with the partial products or trial divisors reached by economic analysis; or, second, to press the inquiry as far as it can be carried into the whole moral situation which sociological methods try to formulate.

Our argument, therefore, continues to indicate the necessary relationships between Smith's economic analysis and further analysis of causes and effects throughout the whole range of human interests.

The second book of *The Wealth of Nations,* entitled "Of the Nature, Accumulation, and Employment of Stock," opens with a paragraph as anachronistic, yet essentially as true, as for instance Raphael's "School of Athens." In order to indicate the substance of Smith's views on this subject, we quote the opening paragraph and summarize the remainder of the introduction:

> In that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides everything for himself, it is not necessary that any stock should be accumulated or stored up before hand, in order to carry on the business of the society. Every man endeavours to supply by

his own industry his own occasional wants as they occur. When he is hungry, he goes to the forest to hunt; when his coat is worn out, he clothes himself with the skin of the first animal he kills; and when his hut begins to go to ruin, he repairs it as well as he can, with the trees and the turf that are nearest it.

But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants. The far greater part of them are supplied by . . . . purchase. . . . . But this purchase cannot be made till such time as the produce of his own labour has not only been completed but sold. A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him. . . . . As the accumulation of stock must, in the nature of the case, be previous to the division of labour, so labour can be more and more subdivided in proportion only as stock is previously more and more accumulated. . . . . As the division of labour advances, therefore, in order to give constant employment to an equal number of workmen, an equal stock of provisions, and a greater stock of materials and tools than what would have been necessary in a ruder state of things, must be accumulated before hand. But the number of workmen in every branch of business generally increases with the division of labour in that branch, or rather it is the increase of their number which enables them to class and subdivide themselves in this manner.

As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation naturally leads to this improvement. The person who employs his stock in maintaining labour, necessarily wishes to em-

ploy it in such a manner as to produce as great a quantity of work as possible. He endeavours, therefore, both to make among his workmen the most proper distribution of employment, and to furnish them with the best machines which he can either invent or afford to purchase. *His abilities in both these respects are generally in proportion to the extent of his stock, or to the number of people whom it can employ.*[1] The quantity of industry, therefore, not only increases in every country with the increase of the stock which employs it, but in consequence of that increase, the same quantity of industry produces a much greater quantity of work.[2]

Book II consists of one hundred and nine pages, and is devoted to amplification of these propositions. Again we must point out that it is no part of our task to inquire into the correctness or adequacy of the purely economic formulas or implications. This work has been done by the economists themselves. It would be worse than waste to attempt to do independently the work of criticizing Smith, which the economists have virtually been carrying on in co-operation for more than a century. So far as we want the pure economics of capital, rather than its sociology, we must go for instruction to the output of economic analysis down to the present time.[3]

[1] Italics mine. [2] I, pp. 275, 276.

[3] Thus the literature of the subject is brought down to a late date by Böhm-Bawerk in *Capital and Interest* and *The Positive Theory of Capital.* The same author has recently

Our concern, however, is not with the merits or defects of Smith's views as parts of a system of private or public accounting. Our inquiry deals with the relation of his views about "stock," as he phrased it, to the whole social process, and especially to the development of a theory of the whole social process. In particular, we have to ask whether Smith's theory of capital did, or left undone, anything that an adequate theory of the whole social process must correct. Or did his treatment of the subject furnish occasion for his successors to act as though his theory was more comprehensive and exhaustive than it was, or than he presumed it to be?

At the outset, we must take into consideration two or three things similar to those which have already been referred to in connection with rent. In the first place, Smith had no more thought that the capitalists as such could ever be called upon to show cause why they should exist, than he had that it was necessary to entertain any such vain speculation about landlords. The reason, in either case, was that to Smith's mind the class in question performed an indispensable social function, although that particular form of con-

returned to the subject: *vide Quar. Jour. of Econ.*, Vol. XXI, pp. 121; 247–82. Cf. Fisher, *The Nature of Capital and Income* (1906), pp. 53 ff., *et passim.*

cept or of expression may not be attributed to him. More than this, Smith seemed to have no doubt that landlords and capitalists were, with tolerable regularity, functioning according to type. The sentence which I have italicized above [4] probably does not directly assert this, but a part of the ambiguity of the sentence is apparently due to Smith's assumption that status and fitness, or function, have a sort of foreordained harmony in the different industrial orders. By "abilities" he probably did not mean talents, but rather scope for the exercise of talent. That is, his main proposition was that the amount of stock, as a rule, determines the extent to which division of labor and possession of improved machinery are possible. This is a roughly correct economic principle, and we could raise no questions of detail concerning that phase of it which have not received ample attention from the economists. One cannot avoid suspecting, however, that a little of the other thought was also in Smith's mind, viz., that the man who has the stock is the man best capable of organizing the labor and selecting or inventing the machinery; that is, to use sociological technicalities, he is *ex officio,* so to speak, functioning according to the implications of his status, and his income is a fair reward for his work. Whether Smith really meant this

[4] P. 159.

or not, and whether or not it was generally true in his time, we have meanwhile witnessed developments in which the exceptions to the rule are certainly more frequent than he supposed, and those exceptions must today be accounted for in formulas of the social sanctions of capital that can successfully run the gauntlet of criticism. That is, we perceive today, to an extent that Adam Smith did not, first, that the division of the ownership of capital among individuals is a resultant of the coworking of economic and of conventional forces, not the product of either alone; second, that, under the operation of our conventionally adapted economic system, there are already enough contrasts between large incomes from capital and small compensating service to authorize inquiries whether there are faults in the conventional factors of our property system; whether our theories of the rights of property are on the final basis; whether the artificial elements in our property systems are susceptible of modifications which would tend toward closer correspondence between service and income.

In other words, the problems which Smith took up were problems of industrial accounting, viz.: What are the mathematics of the factors in national economic systems as they are at

present geared together? He saw no occasion for opening the question whether the conventional fashions of gearing the economic factors were susceptible of improvement. This latter is the social question in a nutshell, and it has been the most effective stimulus making for the development of sociological science.

A change has occurred in this connection since Smith wrote. Because the conventional factors in our economic institutions have come to be social and sociological problems, economists as technical experts, and all other theorists, have been under pressure to accept one or the other horn of a dilemma which had not presented itself to Adam Smith. The alternative runs back to Smith's account of "stock." [5]

He says:

> When the stock which a man possesses is no more than sufficient to maintain him for a few days or a few weeks, he seldom thinks of deriving any revenue from it. He consumes it as sparingly as he can, and endeavours by his labour to acquire something which may supply its place before it be consumed altogether. *His revenue is, in this case, derived from his labour only.* This is the state of the greater part of the labouring poor in all countries.
>
> But when he possesses stock sufficient to maintain him for months or years, he naturally endeavours to derive

[5] Pp. *276, 277.*

revenue from the greater part of it; reserving only so much for his immediate consumption as may maintain him till this revenue begins to come in. His whole stock, therefore, is distinguished into two parts. *That part which, he expects, is to afford him this revenue, is called his capital. The other is that which supplied his immediate consumption;* and which consists either, first, in that portion of his whole stock which was originally reserved for this purpose; or, secondly, in his revenue, from whatever source derived, as it gradually comes in; or, thirdly, in such things as had been purchased by either of these in former years, and which are not yet entirely consumed; such as a stock of clothes, household furniture, and the like.[6]

The dilemma concealed in these propositions is the following: When the principles on which revenue from stock rests come to divide social classes, shall economic theory abide by this division of stock into that which is and that which is not "capital," and shall economic theory accept the burden of proof that private property in capital and all that goes with it is just as unquestionable as private property in the portion of stock which is not capital; or shall economic theory evade the issue by refusing to recognize the validity of the distinction which Smith proposed?

At first glance it may seem to be a mere choice between words, whether we call a workman's

[6] Italics mine.

clothes and furniture "capital" or not. It may even appear to be a mark of superior insight to decide that a carpenter's hammer and saw and plane are capital, as truly as the Rothschilds' banking funds; because in the end the tools help the carpenter to get a revenue just as truly as the gold helps the banker to his income. If, however, we discover that marked differences appear in the relative amounts of conventionality or the relative amounts of useful work concerned in getting an income from one sort of stock and another, we are aware that very serious differences may be involved in the contrasts between the two kinds of stock in their relation to ultimate questions of income. Since Smith's time, events have thrust the reality of a difference in social effect, as well as in social origin, between the two divisions of stock into prominence. Whether five dollars' worth of clothes on a workman's back, and five hundred thousand dollars' worth of machinery under the management of a single owner, and five hundred million dollars' worth of securities manipulated by a small group of men who have a purely absentee relationship to the industries that give the securities a value—whether these three blocks of stock are abstractly of the same nature or not, concretely they are not of the same nature. They have effects as

diverse as the difference between men who must go on foot, and those who go in carriages, and those who have private railroad trains.

The question which Smith discussed was virtually: What are the reasons for the scale of remuneration paid to persons who go on foot, to those who use carriages, and to those who use private railroad trains, efficiency in covering distance being the sole criterion on which the scale is based? The question which has meanwhile come to the front is: What other factors does justice require in the standard of compensation, in view of the fact that a conventional distribution of means of locomotion has introduced artificial advantages and disadvantages between the competitors? To assert that all stock is capital may be in accordance with certain essential facts. This truth may, however, be so asserted as virtually either to beg the social question or to rule it out of court, although it has come to be an inevitable question since Adam Smith's time.

Whatever might have been his position if he had lived till today, Smith's actually expressed views on the differences between the two kinds of stock do not tend to confirm the contention of those who virtually hold that the technology of production is the sole guide to the equity of distribution. They tend rather to sustain the con-

tention of those who hold that the organization of production at a given time may give an artificial prominence to some of the persons who control production, and so may not be a fair index of the equities of distribution. The case between these two contentions should be tried in connection with a later stage in the development of economic theory. It is enough at this point to have indicated by this particular instance how far economic theory at Smith's time failed to cover the ground of present social problems.

There is no proposition in pure economics which might not be made a point of departure from which to explore the whole social process. Our present search, however, is not for opportunities to show how economic facts are related to other social facts, but to discover, first, the extent to which Adam Smith expressly correlated economic facts with other social activities, and, second, how his correlations or failures to correlate left problems in sociological interpretation which must be solved before social theory can be stable. Having pointed out that Smith did not inquire into the sociology of private property in capital, but merely analyzed its technology, all that remains to be said about Book II is merely incidental.

For instance, we are reminded that the "law

of diminishing returns" had not yet been reduced to precision, by such a proposition as the following:

> The produce of land, mines, and fisheries, when their natural fertility is equal, is in proportion to the extent and proper application of the capitals employed about them. When the capitals are equal, and equally well applied, it is in proportion to their natural fertility.[7]

This is, of course, a purely economic generalization, and we note it simply as an index of the stage of theory to which it belongs. In the same connection, however, and without apparent thought that the observation leads beyond the boundaries of economic technology, Smith notices that the degree of public security is a variant of the law of capitalization.[8] Again, referring to luxurious consumption by the idle, Smith ventures a generalization which is approximately true from the standpoint of capitalization, but not equally true as a sociological proposition, viz.:

> . . . . it promotes prodigality, increases expence in consumption without increasing production, or establishing any permanent fund for supporting that expence and is in *every respect* [*sic*] hurtful to the society.[9]

It is hardly necessary to urge that "in every respect" is an exaggeration. A court ball, or a coronation celebration, is rated by nearly the

[7] Pp. 283, 284. [8] P. 284. [9] P. 295.

whole population of the capital, and perhaps of the kingdom, as a promoter of general prosperity. This may be an extremely loose judgment, but it contains elements which are as valid in themselves as the contradictory judgment just quoted. There are circumstances when prodigal expenditure by the rich may be a remedy preferable to the disease. Circulating accumulated wealth among honest bread-winners, even if their trades are not of the most necessary type, may diminish possible capital for the moment, but it may keep a large contingent from lapsing permanently into pauperism.

The wage-fund theory appears also in embryo in Book II; e. g., i, p. 296.

Much more important than either of these items is an innocent, but pervertible, paragraph in the third chapter; viz.:

> The proportion, therefore, between the productive and the unproductive hands, depends very much in every country upon the proportion between that part of the annual produce, which, as soon as it comes either from the ground or from the hands of the productive labourers, is destined for replacing a capital, and that which is destined for constituting a revenue, either as rent, or as profit. This proportion is very different in rich from what it is in poor countries.[10]

However wide the leap may be in logic, in

[10] I, pp. 338, 339.

practice the transition is easy from this perception of fact to an emphasis on the fact which converts it into a rule of life and a goal of life. It is highly improbable that Smith himself would have tolerated the pagan conception that the ranking moral law is, Capitalize! The economic theorists and theories and practices that followed him became perverts to that pseudo-morality to a degree which has seriously embarrassed the correlation of economics with moral principles. Smith is in no way responsible for this, except as the man who draws attention to a phenomenon may be the guiltless cause of unfortunate action with reference to the phenomenon. In this case the unfortunate action has been excessive honor to the policy of capitalization.

It is unnecessary to argue the point, for, say from the beginning of the twentieth century, there has been a general tendency among economists the world over to admit that economic theory has overemphasized production and neglected the theory of consumption. In fact, our social philosophy and our working moral standards are seriously distorted by the impression that there is superior merit in the capitalization of wealth, irrespective of the demand for consumption in the society that has produced the wealth. Capitalistic theories tend to interpret consump-

tion merely as a means to production. This is the necessary and proper perspective in a pure theory of economic technique. At the same time it is ocular proof that a theory of economic technique is merely a relative clause in a philosophy of human affairs. In a rational system of which the center is persons, not things, production can have no complete meaning except as a purveyor to consumption. Production is the lower virtue, and consumption is the higher. To capitalize wealth in order to produce more wealth, when consumption of the same wealth would produce better people, is prostitution. From the standpoint of sociology the history of nineteenth-century economics, both theoretical and applied, has yet to be interpreted with just attention to this distinction. From Adam Smith to Mill, the emphasis of the economists lent itself more and more to deepening the impression that capitalization is the first duty of the man who can get hold of anything to capitalize; and that, like the formula "corban" with the older Pharisees, the plea of "the interests of capital" absolves the devotees of production from responsibility to the claims of humanity.

Note should be taken also that, in Smith's analysis, there are premonitions of the explanation of returns to capital which we now associate

chiefly with the name of Senior, and which has come to be known as the "reward-for-abstinence theory." Inasmuch as the relations concerned are still in debate, it is not remarkable that Smith hardly thought of them as debatable. One is provoked to query whether Smith could have reconciled this part of his views with the doctrine of labor as the source of wealth already discussed. Possibly he would have answered that the two dicta applied to different steps in the economic process, and that both might be true in their proper place. Indeed, it would be unfair to Smith to assume that he had offered an alternative explanation of the same thing. When the analysis of returns from capital is pursued to the last detail, the relation of labor to these returns is more evident than Smith made it in this connection; but the reason is that he is not now talking primarily of wealth, but of capital. He is also merely putting into words very commonplace facts. He is not probing far below the surface for explanations. He expresses the facts in terms of "parsimony":

> Capitals are increased by parsimony, and diminished by prodigality and misconduct. . . . . Parsimony, and not industry, is the immediate cause of the increase of capital. Industry, indeed, provides the subject which parsimony accumulates. But whatever industry might acquire, if

parsimony did not save and store up, the capital would never be the greater. . . . . That portion of his revenue which a rich man annually spends, is in most cases consumed by idle guests, and menial servants, who leave nothing behind them in return for their consumption.[11]

In so far as these propositions are to be taken as generalizations of the process of increasing capital, the term "parsimony" has to be understood with a sliding scale of meaning—from the most pinching literalness at the one extreme, to exuberant metaphor at the other. When the multimillionaire converts the surplus dividends, which he could not consume if he would, into capital to produce more dividends, his procedure would hardly be termed "parsimony" outside the Pickwick Club. The extravagance of this metaphor in the case of ordinary commercial capital has been amply exposed by multitudes of critics of Senior. It is worth referring to here, however, as one of the incipient forms of a prejudice which presently became a considerable obstruction to dispassionate analysis of the phenomena of capitalistic revenue. We shall find the best conditions for an accounting between economics and sociology on this subject when we come to later phases of the social problem.

The remainder of the chapter from which

[11] I, pp. 342, 343.

the last quotations are taken is accelerated motion toward apotheosis of capitalization. It is not fallacious. It is in substance profoundly wise. It is, however, merely the theory of one section of prudence. It simply does not raise the question of adjustment between the interests of capital and the interests of men. It encourages the inference that whatever makes for the interests of capital *ipso facto* makes for the interests of people. The mischievous force of this inference is far from spent in the beliefs and practices of society, and it is a principal task of sociology to bring the truth into larger perspective.

In the fourth chapter of Book II Smith's frank dissection of economic reality has an effect in the opposite direction from that just noted. Since the justice of interest, dividends, or profits has been systematically challenged by the socialists, there has been a decided tendency among the economists either directly to affirm or covertly to assume some form of labor title as the justification of all revenue from capital. This plea not only finds no support in *The Wealth of Nations*, but its author bluntly blurts out his perception that revenue in the form of interest is not a compensation for the owner's work, but a compensation for his idleness. He says:

The stock which is lent at interest is always considered as a capital by the lender. . . . . The borrower may use it either as a capital, or as a stock received for immediate consumption. . . . . The stock which is lent at interest is, no doubt, occasionally employed in both these ways, but in the former much more frequently than in the latter. . . . . The only people to whom stock is commonly lent, without their being expected to make any very profitable use of it, are country gentlemen who borrow upon mortgage. . . . .

A capital lent at interest may, in this manner, be considered as an assignment from the lender to the borrower of a considerable portion of the annual produce; upon condition that the borrower in return shall, during the continuance of the loan, annually assign to the lender a smaller portion, called the interest; and at the end of it, a portion equally considerable with that which had originally been assigned to him, called the repayment. . . . . In proportion as that share of the annual produce which . . . . is destined for replacing a capital, increases in any country, what is called the monied interest naturally increases with it. The increase of *those particular capitals from which the owners wish to derive a revenue, without being at the trouble of employing them themselves*,[12] naturally accompanies the general increase of capitals; or, in other words, as the stock increases, the quantity of stock to be lent at interest grows gradually greater and greater.[13]

The expression italicized is repeated on page 364. The thought had evidently not occurred to Adam Smith that the lender of stock had a

[12] Italics mine.

[13] Pp. 356–59.

claim, in that capacity, to be treated as a worker. It had never entered his head to doubt that the lender was entitled to his interest, but he rested the right on the naïve position stated on pages 362, 363, viz.: "As something can everywhere be made by the use of money, something ought everywhere to be paid for the use of it." If financial transactions had grown no more complicated than they were when that sentence was written, there would be a minimum of impulse to challenge such plausible fairness. But today operations, which are as different from furnishing stock to a user as a stone is from bread, shelter themselves under the sanction of the general claim of capital to interest. The nature of that claim calls for analysis. The problem of making the analysis is a cardinal task of sociology. The economic factors in the problem are deceptive until they are reduced to the denominator of personal values and personal service. When we apply this test, we shall prove that our ideas about the basis of present legal claims to income from capital must sooner or later undergo drastic reconstruction.

In Chapter V of Book II Smith discusses "The Different Employment of Capitals." The general thesis is:

> Though all capitals are destined for the maintenance

of productive labour only, yet the quantity of that labour, which equal capitals are capable of putting into motion, varies extremely according to the diversity of their employment, as does likewise the value which that employment adds to the annual produce of the land and labour of the country.[14]

Then Smith distinguishes four ways in which capital may be employed; viz.: first, "in procuring the rude produce annually required for the use and consumption of the society;" second, "in manufacturing and preparing that rude produce for immediate use and consumption;" third, "in transporting either the rude or manufactured produce from the places where they abound to those where they are wanted;" fourth, "in dividing particular portions of either into such small parcels as suit the occasional demands of those who want them." "It is difficult to conceive," he adds, "that a capital should be employed in any way which may not be classed under some one or other of these four."

It is obvious that this fourfold classification of capital is primarily economico-technological, and only remotely social. The discussion which follows of the relative value to the commonwealth of the different ways of employing capital has significance for sociology simply in so far as it

[14] P. 365.

tends to determine a formula for the economic factor in situations in which alternative uses of capital raise questions of social utility in the large. The discussion does not go far enough to approach the questions of adaptation which present themselves in twentieth-century communities, except as it points out certain generic distinctions. This by no means ignores the value even of this preliminary analysis. It contains homely wisdom which is not likely to be outgrown by the most sophisticated social science. It is, nevertheless, the wisdom of the market, not of the forum. The sterile generality of the discussion as a whole may be indicated by the following passage, which, at the very moment when the words were printed, events were rapidly turning into one of the most foolish prophecies on record:

> It has been the principal cause of the rapid progress of our American colonies towards wealth and greatness, that almost their whole capitals have hitherto been employed in agriculture. They have no manufactures, those household and coarser manufactures excepted, which necessarily accompany the progress of agriculture, and which are the work of the women and children in every private family. The greater part both of the exportation and coasting trade of America, is carried on by the capitals of merchants who reside in Great Britain. Even the stores and warehouses from which goods are retailed

in some provinces, particularly in Virginia and Maryland, belong many of them to merchants who reside in the mother country, and afford one of the few instances of the retail trade of a society being carried on by the capitals of those who are not resident members of it. Were the Americans, either by combination or by any other sort of violence, to stop the importation of European manufactures, and, by thus giving a monopoly to such of their own countrymen as could manufacture the like goods, divert any considerable part of their capital into this employment, they would retard instead of accelerating the further increase in the value of their annual produce, and would obstruct instead of promoting the progress of their country towards real wealth and greatness. This would be still more the case, were they to attempt, in the same manner, to monopolize to themselves their whole exportation trade.[15]

It is not finical nor hypercritical to abstract from this chapter the casual sentence: "But the great object of the political economy of every country, is to increase the riches and power of that country."[16] We need not comment upon it at length. It is merely a confession of the strictly technological character of the discipline so designated. It is incidentally a proof that the modern economists who want to give their science a different scope have broken with the tradition which *The Wealth of Nations* established. Some of them are tending toward

[15] Pp. 372, 373. [16] P. 378.

readjustment with the fundamental moral philosophy of which *The Wealth of Nations* was a specialization; others are tending toward specialization of a different sort, as, for instance, on the one hand, the theory of taxation, or finance, or currency, or banking, or transportation; or, on the other hand, the converting of economics into a psychology of economic valuations. This readjustment of the perspective of economic science cannot be complete until it brings economic activities into focus as merely one of the interdependent factors of the evolving purposes of persons.

V

ECONOMIC VS. SOCIOLOGICAL INTERPRETATION OF HISTORY

Book III of *The Wealth of Nations* treats of "The Different Progress of Opulence in Different Nations." More evidently than in any earlier section of *The Wealth of Nations,* the second of the two elements of the author's method now appears, the opposite tendencies of which were never fairly brought to light till the time of Cliffe Leslie. These are the deductive and the historical methods. Neither of these two methods was developed to its extreme results. Neither was put in the form of a distinct thesis in methodology. There could consequently have been no formal doctrine of the relations between them. Both were mobilized for Smith's purposes, and each was worked out by Smith's successors as a methodology which implied precedence over the other. Perhaps it is easy to overestimate the credit due to Smith for the balance which his own thinking maintained between the two methods. Perhaps the very fact that each was semi-defined, semi-conscious, in his own mind, detracts from his individual merit

for the resulting sanity of his thinking. The fact remains, however, that, while Smith's analysis compares with the work of later economists, according to either program, merely as a beginning compares with a relatively finished product, yet it also appears in the same comparison like a great architectural design in contrast with elaborately finished parts of a structure not yet assembled in a completed building.

In other words, the deductive and the historical methods were not alternatives in Smith's system. They were partners. The historical or inductive method was appealed to so frankly that no one who goes back to Smith as a path-maker in economics can consistently disparage the historical factor of the method which he used. The deductive method was employed with equal frankness, but in the general plan of his argument the interdependence of the inductive and the deductive steps in the formation of conclusion was preserved in a way that forms a highly creditable approach to satisfaction of those canons of proof which John Stuart Mill formulated almost a century later. That is, Smith realized the necessity of deriving principles to be used deductively from inductive generalizations of previous experience. In this general form, his science was therefore more catholic

and more convincing than that of his successors who obviously overworked the one or the other element of proof, and in either case left the proof limping from the weakness of the neglected support. In subsequent economic theory the illustrations have been many and conspicuous, on the one hand of *a-priori* use of generalizations not supported by a sufficient induction, and on the other hand of historical data-collecting which became virtually an end unto itself, because not carried to a completeness that afforded credible generalizations.[1]

Speaking in the rough, there is only one source from which to derive principles of human conduct. That source is historical induction. Of course, this proposition extends the term "historical" beyond its ordinary meaning. Everything is past, and thus "historical," as soon as it has occurred, and thus made itself material for reflection. The present has become the past while the observer adjusts his attention to it. In this sense inductions from experience are the only positive source for generalizations of valid principles. Book III of *The Wealth of Nations* is, in the first instance, an attempt to show why wealth has increased in different ratios in different nations. This particular inquiry, strictly

[1] Cf. Bagehot, above, pp. 67 ff.

limited, is merely a question of the world's financial bookkeeping. Strict limitation of the inquiry to this phase, however, would be arbitrary, as the world's bookkeeping, and the activities which it records, are essential to the world's higher activities. Next above the significance of the passage, as a study of the growth of wealth, is its significance as a theorem in methodology. It throws its weight on the side of the claim that the world's experience, as a whole, is the source of the world's science; not merely that part of the world's experience which consists chiefly of introspection of the mind's grinding upon itself, with neglect of the objective experience which furnishes the proper grist for the mind.

It is worth notice, too, that in this book Smith again incidentally recognizes the institutional or volitional factor, as a variant in the operation of what he regarded as the "natural" economic factors. Thus:

> Had human institutions, therefore, never disturbed the natural force of things, the progressive wealth and increase of the towns would, in every political society, be consequential, and in proportion to the improvement and cultivation of the territory or country.[2]

The whole of Book III, indeed, from our present point of view, is notable for these two

[2] P. 386.

primary reasons: first, it appeals to the historical method of establishing economic principles; second, it appeals to social occurrences to explain variations in the action of economic forces. If these two principles had been allowed their share of influence since Adam Smith, there would have been little room for divergent schools of economic theory, and scarcely an appreciable demand for the differentiation of sociologists. It is not very extravagant hyperbole to say that the whole methodology of social science is an elaboration of the implications of these two principles.

Even in this strictly economic investigation, however, reflections occur which show that Smith was closely related by affinity with the modern theoretical and practical movements toward placing society on a frankly telic basis. For example, in discussing the reasons why entail justified itself in one state of society and not in another, he says:

> When great landed estates were a sort of principalities, entails might not be unreasonable. Like what are called the fundamental laws of some monarchies, they might frequently hinder the security of thousands from being endangered by the caprice or extravagance of one man. But in the present state of Europe, when small as well as great estates derive their security from the laws of their country, nothing can be more completely absurd. They are founded upon the most absurd of all suppositions,

the supposition that every successive generation of men have *not* an equal right to the earth, and to all that it possesses; but that the property of the present generation should be restrained and regulated according to the fancy of those who died perhaps five hundred years ago.[3]

This chapter is also a brief of the whole economic and social argument against slavery as a method of production. It is also in effect a demonstration of the fallacy of *laissez faire* as a general principle or universal precept. It shows that legislation may either kill or cure according to circumstances, and according to the fitness of the legislation. For example, speaking of the impossibility of securing the highest state of cultivation without the security of the farmer's tenure, Smith says:

In England, therefore, the security of the tenant is equal to that of the proprietor. . . . . Those laws and customs so favourable to the yeomanry have perhaps contributed more to the present grandeur of England than all their boasted regulations of commerce taken together.[4]

Perhaps the most important element in this portion of *The Wealth of Nations,* from our point of view, is the cumulative argument that laws and institutions make or mar economic as well as more general prosperity. If the ocular proof had not meanwhile been furnished, it would have been incredible that social theory could fall

[3] P. 390. [4] P. 397.

from the high level of Adam Smith's outlook to the pitiable shallowness of the *laissez-faire* theory. Because certain types of interest did not want the government to perform certain types of actions, formulas of temporary policy were gravely promoted to the rank of inflexible principles, to the effect that goverment violates the fundamental order of society if it modifies economic action at all. The humor of the situation was in the fact that the very people who most zealously fed the altar-fires of this superstition had first taken elaborate precautions to build up around their own interests the most rigid system of legal safeguards that had ever surrounded vested right since the strictest period of the Roman law.

VI

THE PROBLEMS OF ECONOMIC AND OF SOCIOLOGICAL SCIENCE

In the "Introduction" to Book IV, entitled "Of Systems of Political Economy," Smith divulges more explicitly than before his conception of political economy as a distinct science. According to his description it is, as we have claimed, a technology of wealth-production, first for the people and second for the state. Political economy, according to this description, is "a branch of the science of a statesman or legislator." As we have seen, all the sciences tributary to statesmanship and all other parts of the theory of conduct were to men of Adam Smith's type details subordinate to an inclusive moral philosophy.[1]

Book IV is a critique of systems of political economy, or rather of two principal systems; viz., first, "the commercial or mercantile system," second, "the agricultural systems, or those systems which represent the produce of land as

[1] In another book I shall call attention to the instructive antithesis between Smith's conception of the relations of political economy and that of Von Mohl, *Encyklopädie der Staatswissenschaften*, 2d ed., pp. 57, 58.

either the sole or the principal source of the revenue and wealth of every country."

The thread of Smith's argument in this book is not altogether clear at first sight. The reader might suppose that the book would include a precise account of the system of political economy which the author supposed to be valid. In fact, the discussion is virtually a continued exposition of his own *labor theory* of political economy, by the indirect method of exposing the errors of the mercantilist and the agricultural theories. When he reaches the second of these systems,[2] he assigns as his reasons for treating it briefly that it has never done any great harm, and is never likely to. That is, he was somewhat of the opinion of the boy who defined salt as "the stuff that makes 'taters taste so bad when you don't put any on." By implication Smith justifies his long discussion of the mercantilist theory on the ground that it has done harm, and is likely to do more. In effect, however, these criticisms are merely to fill out his own labor theory of economics which was sketched in the first two books.

The plan of our study does not permit attention to the details of Smith's exposition. We are now interested simply in those indications which betray Smith's opinions about the relations

[2] II, 179.

of economic technique to the inclusive moral order.

It is in point, however, to reinforce the observation made in the last paragraph of Section V. While leading up to an argument in support of a certain economic system, Smith artlessly describes notorious types of manipulation of opinion, and of government, to procure legislation favorable to special interests. That is, he shows how the commercial interests retained theorists to formulate philosophies reflecting their views, created a tradition which made these special interests the center or foundation of abstract and applied economic systems, and induced Parliament to legislate these special interests into the position of vested and fortified interests. This done, the same interests turned about and demanded, both directly and through their theoretical attorneys, that legislation should henceforth be declared a vice! That is, having secured their own interests by law, it should henceforth be forbidden to other interests to get the same advantage from law! As we have said, this delicious naïveté was not the rule of a nursery game. It was the serious contention of Britain's strongest men for the larger part of a century, and it is still making a strong bid for the rank of economic orthodoxy both in England

and the United States! Referring to the mercantilist theories, Smith says:

> Such as they were, however, those arguments convinced the people to whom they were addressed. They were addressed by merchants to parliaments, and to the councils of princes, to nobles, and to country gentlemen: by those who were supposed to understand trade, to those who were conscious to themselves that they knew nothing about the matter. That foreign trade enriched the country, experience demonstrated to the nobles and country gentlemen as well as to the merchants; but how, or in what manner, none of them well knew. The merchants knew perfectly well in what manner in enriched themselves. It was their business to know it. But to know in what manner it enriched the country, was no part of their business. The subject never came into their consideration, but when they had occasion to apply to their country for some change in the laws relating to foreign trade. It then became necessary to say something about the beneficial effects of foreign trade, and the manner in which those effects were obstructed by the laws as they then stood. To the judges who were to decide the business, it appeared a most satisfactory account of the matter, when they were told that foreign trade brought money into the country, but that the laws in question hindered it from bringing so much as it otherwise would do. Those arguments heretofore produced the wished-for effect. . . . . The title of Munn's book, *England's Treasure in Foreign Trade,* became a fundamental maxim in the political economy not of England only, but of all other commercial countries. The inland or home trade, the most important of all, the trade

in which an equal capital affords the greatest revenue, and creates the greatest employment to the people of the country, was considered as subsidiary only to foreign trade. It neither brought money into the country, it was said, nor carried any out of it. The country therefore could never become either richer or poorer by means of it, except so far as its prosperity or decay might indirectly influence the state of foreign trade.

The thesis which Smith opposes to the mercantilist assumption is compressed into the following proposition:

It would be too ridiculous to go about seriously to prove that wealth does not consist in money, or in gold and silver; but in what money purchases, and is valuable only for purchasing. Money, no doubt, makes always a part of the national capital; but it has already been shown that it generally makes but a small part, and always the most unprofitable part of it.[3]

It would be an excursus from the main path of our argument to cite such a proposition, if it were not more pregnant today than it was when it was written. So far as we can judge of the mental content of the most intelligent men of that period, it appears that the proposition must have been much more narrowly technological to them than it is to us. Since psychological and sociological analyses of value, and consequently of wealth, have reorganized the associations which

[3] P. 437.

the proposition suggests, we are bound to find it conclusive for reasons much more comprehensive than even Smith himself could have clearly apprehended. It would be an interesting diversion to fortify this judgment by analyzing the course of argument through which Smith supports the theorem. It is largely a most ingenious discussion of the relative economic utility of money, or the precious metals, and other commodities.[4] While the analysis is remarkably skilful, our attention is necessarily arrested by the contrast between its emphasis and that which would appear in a modern exposition of the same subject. That is, we should now support the same thesis less upon strictly economic grounds, and more upon psychological and sociological grounds.

As a connecting link between different stages of economic theory and practice, Smith's conclusion about the social consequences of the mercantilist theory must be noticed, viz.:

> The two principles being established, however, that wealth consisted in gold and silver, and that those metals could be brought into a country which had no mines, only by the balance of trade, or by exporting to a greater value than it imported; it necessarily became the great object of political economy to diminish as much as possible the importation of foreign goods for home con-

[4] Pp. 437–50.

sumption, and to increase as much as possible the exportation of the produce of domestic industry. Its two great engines for enriching the country, therefore, were restraints upon importation and encouragements to exportation.[5]

We are not committed to inquiry into the history of economic theory far enough to find out how much of Smith's repudiation of mercantilism was the result of his own initiative and how much the effect of the teachings of the Physiocrats.[6] The main point for our purpose is that Smith deliberately stated it as his aim to treat the case against mercantilism strictly in its bearings upon the increase of national wealth. That is, he prescribed for himself a distinctly technological inquiry, and excluded as far as possible all ulterior considerations of the relations between wealth and the other factors of welfare. Having enumerated the two types of restraints upon importation, and the four types of device adopted to promote exportation, under mercantilism,[7] Smith announces his plan of attack as follows:

The two sorts of restraints upon importation above mentioned, together with these four encouragements to

[5] P. 450.

[6] Boisguillebert, 1707; the French-Irishman Cantillon, 1755; Quesnay, 1758; Gournay, 1702–59; Turgot, 1727–81; etc.

[7] P. 451.

exportation, constitute the six principal means by which the commercial system proposes to increase the quantity of gold and silver in any country by turning the balance of trade in its favour. I shall consider each of them in a particular chapter, and without taking much further notice of their supposed tendency to bring money into the country, I shall examine chiefly what are likely to be the effects of each of them upon the annual produce of its industry. According as they tend either to increase or diminish the value of this annual produce, they must evidently tend either to increase or diminish the real wealth and revenue of the country.[8]

We must again define the standpoint from which we are analyzing *The Wealth of Nations.* In brief, we are pointing out, first, that Adam Smith was fundamentally a moral philosopher, and that every division of his thinking was subordinated, in his own mind, to an inclusive moral philosophy; second, that, in selecting the problems of wealth for minute investigation, Smith abstracted a body of phenomena from the whole body of moral phenomena, and treated them as though they could be considered as sufficient unto themselves; third, that in so doing Smith set the pace for a technology of wealth, as an end unto itself; fourth, that such a technology is enormously important, but that, for this very reason, it tends to overbalance the other elements of a

[8] P. 452.

comprehensive moral philosophy; for instance, to take a concrete illustration, it begs the question whether it is conceivable that Englishmen might, on the whole, be better off under the less productive of two economic systems. It contains no hint of the possibility that in a given situation improvements in the system of distribution may do more than increase of production toward promoting welfare. In other words, this technology of wealth confidently assumes that the total welfare of a people is in direct proportion to the aggregate of wealth, and it therefore makes wealth the center of calculation, while the complete or even wider welfare of human beings comes into view only as a subsidiary consideration. There is no sufficient reason to infer that, in Smith's case, this temporary obscuration of the moral by the economic meant any confusion about the ultimate subordination of the economic to the moral. It was merely a provisional arrest of attention upon the economic phases of moral relations. Our further contention is, however, fifth, that there was a strong undertow in economic theory pulling toward complete isolation of economics from morals, and toward a valuation of wealth above the other elements of human welfare. That is, the foundation of moral philosophy tended to

disappear from beneath social theory, and it tended to become a bare economic technology. If the extreme decline into unmorality is to be connected with the name of a single economic writer, J. R. McCullock (1779–1864) may safely be nominated for the distinction. Our main argument is, sixth, that this abstraction of the economic phase of activity and theory from the totality of human activities, and from comprehensive moral philosophy, is a temporary provincialism. Human activities are not thus isolated; and theories of human activities, although they may call themselves sciences, are vicious theories to the extent that they depend upon presumptions of the isolation and independence of classes of activities. In other words, whatever be the content of economic theory, it must find for itself a valid correlation with the whole scope of positive moral philosophy, before it can recover the relative dignity which belonged to it in Adam Smith's scheme of morality.

For the reasons restated in the foregoing paragraph, our study does not call for detailed discussion of the following six chapters.[9] They are primarily technological with reference to the frankly proximate end—the production of wealth. References to more ultimate ends are inevitable tributes to the larger constitution of

[9] Book IV, Chaps. II–VII.

things, which cannot be successfully ignored, and which Smith, even as a technologist, apparently never desired to ignore. Such references are, at best, however, casual, not essential to the technological argument. The one cumulative argument within the field of our present interest, which these chapters unintentionally enforce, is that there is the most intimate and incessant reaction between all economic activities and all customs and laws of the societies maintaining the activities. The relations of cause and effect between these different classes of activities are so evident that it would be *a priori* impossible to imagine a theory of them which would pre-suppose their virtual independence. Nearly the whole weight of the classical economics, however, was cast into the balance on the side of the illusion that economic activities constitute a species of perpetual motion sufficient unto itself, and that this sanctuary would be profaned if it were in any way disturbed by the other social interests. The classical political economy well-nigh succeeded in suppressing the larger question: What ratio does the wealth factor in the human equation bear to all the other factors of welfare in typical situations? So far as its influence prevailed, the classical economics left the impression, not only that all other human problems

must defer to the wealth problem, but that the solution of the wealth problem is *ipso facto* the solution of all other human problems. In other words, the classical political economy tended toward abandonment of the attempt to interpret life as a moral problem, and substituted an attempt to interpret life in terms of the technique of economic production.

Nor is this all. The economic production which the classical economics had in mind was the production, not of the actual human beings whose essential moral relations were fairly apprehended. It was the production of an aggregate of individuals whose moral relations were considered, for the purposes of economic theory, to be in a condition of foreordained and permanent status. The most preposterous feature of this naïve presumption was that it serenely accepted, as a statical condition, the unsocial activities of predatory economic self-interest, artfully intrenching itself behind social contrivances which the lawmakers were induced to create, and then piously anathematizing the endeavors of any competing interest that attempted to get like reinforcement for itself! This presumption alone damned the classical economy. Economic activities are merely fractions of the total self-expression of men whose moral relations are in a perpetual flux of re-

adjustment. A fundamental sociological problem is that of determining the formulas according to which these economic and moral activities are varying functions of one another.

It cannot be too often repeated that these judgments are not passed on the philosophy of Adam Smith, but on the degenerate scion of his theory which we know as the classical economics. Our thesis is that the sociologists are contending for a return to the moral basis upon which Adam Smith's economics rested. Not that the specific content of his moral philosophy could be vindicated now, but that his philosophy was primarily moral, instead of primarily technological. He saw, as economists half a century after him had become almost incapable of seeing, that economic processes are, and must be, at last, incidents of larger moral processes. This might easily be illustrated in such a case, for example, as the ultimate reasons which he adduces for peaceful accommodation between the mother-country and the American colonies.[10]

The concluding paragraph of Chapter VIII is in Smith's most frank and sententious style:

> It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been en-

[10] Vol. II, pp. 134–38, *et passim.*

tirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to, and the interest, not so much of the consumers as that of some other sets of producers, has been sacrificed to it.[11]

Turning to the second type of political economy, Adam Smith says:

The agricultural systems of political economy will not require so long an explanation as that which I have thought it necessary to bestow upon the mercantile or commercial system.

That system which represents the produce of land as the sole source of the revenue and wealth of every country has, so far as I know, never been adopted by any nation, and it at present exists only in a few men of great learning and ingenuity in France. It would not, surely, be worth while to examine at great length the errors of a system which never has done, and probably never will do any harm in any part of the world.[12]

Smith finds the capital error of this system in "its representing the class of artificers, manufacturers and merchants, as altogether barren and unproductive." [13]

Yet Smith continues:

This system, however, with all its imperfections, is perhaps the nearest approximation to the truth that has

[11] II, 178. [12] II, Chap. IX, p. 179. [13] II, 192.

yet been published upon the subject of political economy, and is upon that account well worth the consideration of every man who wishes to examine with attention the principles of that very important science.[14] Though in representing the labour which is employed upon land as the only productive labour, the notions which it inculcates are perhaps too narrow and confined; yet in representing the wealth of nations as consisting, not in the inconsumable riches of money, but in the consumable goods annually reproduced by the labour of society; and in representing perfect liberty as the only effectual expedient for rendering the annual reproduction the greatest possible, its doctrine seems to be in every respect as just as it is generous and liberal.[15]

This passage incidentally justifies me in calling Smith's theory "labor economics," in distinction from "mercantile" or "agricultural" economics.[16] Although we have been taught to call Smith's theory the "system of natural liberty," his own statement shows that "natural liberty" is the voluntary means of increasing wealth rather than the ultimate principle upon which the production of wealth depends. This perception does not affect one way or the other the main contention that Smith's economics was virtually a chapter in his moral philosophy. He does not directly argue that "natural liberty"

[14] Of course, this proposition must be understood as explained by pp. 189, 190, above.

[15] II, 196.

[16] I; cf. p. 205, below.

is the best means to the production of wealth because it is right. It is the best means because it is most productive. This would not preclude the argument from purely moral grounds that natural liberty is an economic imperative because it is right. Smith's conviction of its righteousness, however, appears to have sprung very largely from his belief that it was expedient. Although he would have regarded the utilitarianism of Bentham as bizarre, yet he was practically much less removed from the logic of Benthamism than he would have been willing to admit if Bentham had been more nearly his contemporary.[17]

Another summary of Smith's whole economic philosophy, with just a hint of its bearing upon general social philosophy, occurs at the close of Book IV, and deserves a place in this digest:

> It is thus that every system which endeavours, either, by extraordinary encouragements, to draw towards a particular species of industry a greater share of the capital of the so-

[17] One might make a good deal in support of this judgment out of a passage in Smith's *Lectures on Justice*, etc. (Cannan), pp. 11, 13. Having remarked that in a monarchy the principle of authority prevails, but in a democracy that of utility, Smith continues: "Men in general follow these principles according to their natural dispositions. In a man of a bold, daring and bustling turn the principle of utility is predominant, and a peaceable, easy turn of mind usually is pleased with a tame submission to superiority." The objections to the suggested use of the passage are obvious enough, but on the

ciety than what would naturally go to it; or, by extraordinary restraints, to force from a particular species of industry some share of the capital which would otherwise be employed in it; is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes, instead of increasing, the real value of the annual produce of its land and labour.

All systems, either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord.[18] Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or order of men. The sovereign is completely discharged from a duty, in the attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it

whole it is worth noting in this connection. Cf. *loc. cit.* for Smith's statement of the grounds of utility which "ought to make marriage perpetual;" also pp. 94 ff. on master and servant. Dugald Stewart expressed a judgment quite in the line of my conclusion. (*Account of the Life,* etc. [Bohn ed.], p. xxx.)

In Part I, Sec. 3, of the same lectures, entitled by the editor "How Republican Governments Were Introduced," the explanation is utilitarianism of a most frankly opportunistic sort.

[18] Cf. p. 203, above.

towards the employments most suitable to the interest of the society. According to the system of natural liberty, the sovereign has only three duties to attend to; three duties of great importance, indeed, but plain and intelligible to common understandings; first, the duty of protecting the society from the violence and invasion of other independent societies; secondly, the duty of protecting, as far as possible, every member of the society from the injustice or oppression of every other member of it, or the duty of establishing an exact administration of justice; and thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or any small number of individuals, to erect and maintain; because the profit could never repay the expence to any individual or small number of individuals, though it may frequently do much more than repay it to a great society.[19]

At this point the sociologist may be pardoned for musing:

> Of . . . . the fruit
> Of that forbidden tree, whose mortal taste
> Brought death into the world, and all our woe.

The *a-priori* political philosophy which, from Plato down, imposed upon social theory one of the stupidest *dei ex machina* in the whole Walhalla of superstition, that inflexible monster of pedantic imagination, "sovereignty," betrays itself in this passage, and furnishes one of the

[19] II, pp. 206, 207.

important clues to the fatuity of the classical economy. The vitality of Smith's fundamental morals could not save his theory until it could be delivered from the bondage of this arbitrary dogma. This is merely a more occult way of saying that inadequate analysis of the general social process set very strait bounds for extension of the positive method which Smith honestly applied so far as his doctrinal limitations would permit. A mechanical political philosophy was accomplice before the fact in a large part of the misconduct of classical economics. From one point of view modern socialism is the natural rebound, not so much from eighteenth-century economic theory, as from its stilted political preconceptions. I merely call attention in passing to this factor in the evolution of modern social theory. I hope to return to the subject in another connection.

The metaphysical doctrine of "sovereignty" is as distinct from the literal fact of sovereigns, of various types, as the Ptolemaic theory of the universe was from the facts of astronomy. Governments actually exert a quasi-absolute power over subjects within territory which legal fictions may treat as beyond the prerogative of other governments. For convenience we may call governments, or nations, if we please, "sovereigns."

We may take our own chances of escaping the confusions involved in the traditional problems of the actual location and sanctions of sovereignty; whether in the government itself, in "the state," in the people collectively, in the people individually, or in some other conceivable or inconceivable sanctuary. In any case, the politically organized groups to which a more or less fictitious sovereignty has always been ascribed carry on collective activities. These activities are costly. The expenses have to be met. There is nothing fictitious about the fiscal needs of states. At the same time, the questions of national revenue may be treated as purely technological problems, which have no more immediate reference to the larger problems of human welfare than the technology of production in the strict sense.

VII

THE RELATION OF ECONOMIC TECHNOLOGY TO OTHER SOCIAL TECHNOLOGIES, AND TO SOCIOLOGY

The fifth book of *The Wealth of Nations* treats of "The Revenue of the Sovereign or Commonwealth." It is not worth our while to inquire how advisedly Smith used these terms; i. e., whether he was entirely free from use of the term "sovereign" in a shifting sense. If it were, it would be necessary to show, from such passages as the opening paragraphs of Book V, Chapter I, Part IV,[1] that Smith meant by "the sovereign" sometimes the commonwealth, sometimes the monarch, and perhaps sometimes an undefined third something, apparently corresponding with one of the German concepts of "the state" as distinguished from the other alternatives. Our question is, however: To what extent did Smith recognize separate spheres of activity for various social technologies, and to what extent did he provide for the subordination of fiscal technique to a larger range of moral requirements? Was his treatment of public

[1] II, p. 339.

revenue merely political technology, or was it, beyond that, an inquiry in ethics?[2]

Apparently Smith conceives of the fiscal problem, not merely as technical, but as broadly moral. This is certainly true if the last paragraph in the fourth book is to be taken at face value. It reads:

> The proper performance of those several duties of the sovereign necessarily requires a certain expence; and this expence again necessarily requires a certain revenue to support it. In the following book therefore, I shall endeavour to explain: first, what are the necessary expences of the sovereign or commonwealth; and which of those expences ought [*sic*] to be defrayed by the general contribution of the whole society; and which of them, by that of some part only, or of some particular members of the society; secondly, what are the different methods in which the whole society may be made to contribute towards defraying the expences incumbent on the whole society and what are the principal advantages and inconveniences of each of those methods; and thirdly, what are the reasons and causes which have induced almost all modern governments to mortgage some part of this revenue, or to contract debts, and what have been the effects of those debts upon the real wealth, the annual produce of the land, and labour of society. The

[2] In either case, it is to be noted that Book V exhibits a radically different conception of the relation of political economy to political science from that of Von Mohl. Cf. above, p. 189.

following book, therefore, will naturally be divided into three chapters.[3]

Taken literally, this paragraph is a requisition upon the total resources of moral philosophy. The word "ought" occupies a place in the first division of the subject which might have delighted the soul of Kant. The terms "advantages" and "inconveniences" might be adopted as blanket phrases for all the criteria which could be insisted on by the most exacting telic philosophy. The third inquiry points directly toward radical problems in social psychology, but the last clause seems to put the ban on these larger interpretations. It seems to indicate that, after all, in Smith's reckoning, all the oughtness and the convenience were merely utility with reference to wealth alone, and that no account was to be taken of utilities in which wealth was simply a mediate term. Some close scrutiny of Book V is necessary, therefore, in order to make out how far either of these appearances is to be credited.

On any theory of political society whatsoever, so long as men remain in a state which makes resort to war tolerable, the costs of war must be defrayed. Civil society must, therefore, find ways of paying the bills of war. This is the first item on the debit side of Smith's discussion

[3] II, p. 207.

of national revenue. Neither the morality of war, nor the economics of war in the wider sense, is here brought into account. The points are, first, that wars occur; second, that they must be paid for somehow.[4] With not a little of the spirit of Herbert Spencer,[5] Smith shows that, with the development of institutions, in general, and of the art of war in particular, the expense of war is shifted largely from the individual fighters, and becomes a charge upon the fiscus. While the abundance of the material betrays Smith into diffuseness upon what might be called, in a very loose sense, the sociology of war, all that it amounts to is amplification of the proposition that every civilized nation must have a military budget.

Part II of the same chapter expands the proposition that the administration of justice is costly, and that the cost must be covered by national revenues. Again, the discussion takes a wide range, in securing historical evidence for the platitude. Incidentally the discussion asserts, in the most unrestricted fashion, that property is privilege, and that it is the creature of social volition. This perception, of course, makes any

[4] II, pp. 208 ff.

[5] *Principles of Sociology,* Part V, Chap. XII, "Military Systems."

selected property system, according to Smith's general philosophy, liable to answer for its justification before the ultimate tribunal of social appeal. This corollary is merely latent in Smith's argument. The main point is that property questions demand an administration of justice, and this is also a charge on the national budget.[6] Other variants of disturbed relations, more or less involved with property, and all reinforcing the demand for a legal system, are the different kinds of subordination that grow up in society; e. g., from variations of personal qualifications, from differences in age, from differences in wealth, and from differences in the prestige of birth.

Here again Smith is on the borderland of analytical sociology; but, while his observations are pertinent, they merely furnish padding for the essential proposition. In the whole of Book V Smith indulges in wider detours from the direct path of his argument than in the earlier parts of the work. To change the figure, he does not hew close to the economic line, but cuts into the material of political science. For example, at the close of Chapter I, Part II:[7]

> When the judicial is united to the executive power, it is scarce possible that justice should not frequently be

[6] II, pp. 227, 228.

[7] II, pp. 240, 241.

sacrificed to, what is vaguely called, politics. The person entrusted with the great interests of the State may, even without any corrupt views, sometimes imagine it necessary to sacrifice to those interests the rights of a private man. But upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. In order to make every individual feel himself perfectly secure in the possession of every right which belongs to him, it is not only necessary that the judicial should be separated from the executive power, but that it should be rendered as much as possible independent of that power. The judge should not be liable to be removed from his office according to the caprice of that power. The regular payment of his salary should not depend upon the good-will, or even upon the economy of that power.

Part III of Chapter I treats in a very similar way the items of expense for "public works and public institutions." The main thesis is continued in the opening paragraph:

The third and last duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expence to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain. The performance of this duty requires two very different degrees of expence in the different periods of society.[8]

[8] II, p. 241.

At first reading, if one knew nothing of the previous argument, one might infer that the author of this paragraph had in mind a range of public works which would tend rather toward the socialistic than toward the *laissez-faire* extreme. If we reflect, however, that the term "advantageous" in Smith's vocabulary meant in this connection "favorable to the production of wealth," the apparent implications of the passage are considerably modified. The really material thing is the claim that some public works must be maintained by the state. There is little doubt, however, that the assumptions behind this claim in Smith's mind would lean logically much further toward liberalism than the doctrines of the later classical economy. In the second paragraph, for instance,[9] Smith groups the "works" which he has in mind chiefly in two classes; viz., first, "those for facilitating the commerce of society," and, second, "those for promoting the instruction of the people." Here is a distinct proposition which the Spencerian type of individualism abhorred, and which cannot be regarded as primarily in the classical sense.

Smith's treatment of the first group falls mainly within the scope of pure economic theory, if we include in economic theory the equities of

[9] II, p. 241.

exchange, considered solely on the basis of market value of services rendered. The reasoning, however, is neither as clear nor as convincing as in the earlier parts of the treatise. As in the case of the two previously named items of public expenditure, the problem of apportioning the amount between individuals and the public is by no means conclusively solved. The argument drops rather from the level of scientific analysis to that of the essay setting in order accepted commonplaces. The reasons assigned for division of expense are rather more definite under this third head of "public works," than under the two previous titles. At the same time, more is left to be desired in this connection than in almost any other case which Smith undertakes to analyze. I enumerate the reasons which he expressly alleges, and return to the subject after reaching the close of the chapter. The reasons named are these: *First, facility of collecting pro-rata shares of the cost from users of the improvement;* as in the case of highways, bridges, canals, etc.; but, on the contrary, certain ill-workings of the toll system lead to a somewhat futile discussion of the relative advantages of private and public ownership of toll rights, and to anticipation of questions of taxation, which had been assigned to the next chapter. *Second,* in the case of works

necessary to facilitate some particular branches of commerce (e. g., forts and troops in the case of the East India Company), the *reasonableness of collecting the cost from the protected interest.* The reasonableness alleged seems to rest on a plain *quid pro quo* basis. *Third, the justice of levying customs duties and the like for defraying the cost of defending trade in general.* This justice also rests at last upon the *quid pro quo* basis. *Fourth, the inexpediency of intrusting the collection of costs of such defense to private companies* (East India, Turkish, etc.). The evidence supporting this count includes nearly every type of economic injustice. *Fifth, the economic incompetence of joint stock companies.*[10] *Sixth, the expediency of making the service carry the cost, as by fees from pupils* (in the case of schools). This count is, in our view, the same as the first. It introduces, however, the irrelevant question:

> Have private or local endowments contributed in general to promote the end of their institution? Have they contributed to encourage the diligence, and to improve the abilities of the teachers? Have they directed the course of education towards objects more useful, both to the individual and to the public, than those to which it would naturally have gone of its own accord.[11]

[10] II, pp. 262 ff. [11] II, p. 281.

Then follows an extended discussion of administrative policies in educational institutions. The whole argument suggests General Walker's easy transition from pure economics to public policy on complex questions, without critical examination of other factors of the problem except the economic. The discussion is an unconscious illustration of the impossibilty of abiding by the economic abstraction when dealing with anything beyond the purely technical phases of production. The passage is at the same time an instance, so serious that it is humorous, of the characteristic sciolism of the classical economists in assuming competence to make their economic generalizations the sufficient basis for authoritative discourse upon matters and things in general. Here is a disquisition on the virtues and vices of pedagogy, from the Greeks to the Georges, smuggled into a treatise on public finance![12]

It should be said, in partial extenuation, that in this portion of his work Smith seems to have felt at liberty to wander from his theme. He really inserts a series of encyclopaedia articles rather loosely connected with the specific theorems which the bare analysis of his argument called upon him to support. These homiletical gratuities contain much wisdom, but they are as

[12] II, pp. 281–308. Cf. reference to Bagehot, above, p. 72.

out of place as a silk hat with a sack coat. These disquisitions do not belong with a discussion of the problems of public revenue, unless the whole subject of public revenue is organized into a much wider philosophy of society than Smith has outlined in *The Wealth of Nations.* All he needs for the immediate uses of his main inquiry is a list of the actual purposes for which the British type of society must provide. In such an excursus as the one just noted he does not go far enough to get at the roots of the question: Should society provide at all for such an object? He merely goes far enough to make his real argument carry a needless burden of luggage.

The same comments are in point in connection with the next subject, "Of the Expence of the Institutions for the Instruction of People of All Ages." The substance of the section may be inferred from the opening sentence: "*The institutions for the instruction of people of all ages are chiefly those for religious instruction.*" Then follows an abbreviated history and critique of ecclesiastical institutions.[13] It is grotesquely out of proportion, in whatever light it is considered. For the reason alluded to in the case of schools, it is uncalled for as a preliminary to discussion of British revenues. As a treatise on the struc-

[13] II, pp. 309–39.

ture and functions of ecclesiastical institutions as tributary to civilization in general, it opens up all the unsettled questions of sociology. A foundation of general sociology would have to be installed before opinions on such complex subjects could have a scientific basis. As in the section on educational institutions, this inquiry into the administration of ecclesiastical institutions is full of partially generalized and partially co-ordinated wisdom. The closing paragraph is characteristic:

> The proper performance of every service seems to require that its pay or recompense should be, as exactly as possible, proportioned to the nature of the service. If any service is very much underpaid, it is very apt to suffer by the meanness and incapacity of the greater part of those who are employed in it. If it is very much overpaid, it is apt to suffer, perhaps, still more by their negligence and idleness. A man of a large revenue, whatever may be his profession, thinks he ought to live like other men of large revenues; and to spend a great part of his time in festivity, in vanity, and in dissipation. But in a clergyman, this train of life not only consumes the time which ought to be employed in the duties of his function, but in the eyes of the common people destroys almost entirely that sanctity of character which can alone enable him to perform those duties with proper weight and authority.[14]

Part IV in Chapter I of Book V was referred

[14] II, p. 339.

to above in evidence of the shifting senses in which Smith uses the term "sovereign." The title of the section is, "Of the Expence of Supporting the Dignity of the Sovereign." Here it is plain that the "sovereign" is not the state, nor the people, but the monarch. The plain proposition which is in the line of the prospectus of Book V is merely that the public revenues must provide for the support of the chief magistrate. Smith incontinently restricts himself to a skimpy half-page on this subject, when by parity of reasoning it might fairly have consumed at least a score of pages. Then, as though under conviction of sin for his errors of commission in the one-hundred-and-thirty-four-page-long chapter, he recapitulates all that is really pertinent in it in less than two pages. Still further abbreviated, it amounts to this:

> The expence of defending the society, and that of supporting the dignity of the chief magistrate, are both laid out for the general benefit of the whole society. It is reasonable, therefore, that they should be defrayed by the general contribution of the whole society, all the different members contributing, as nearly as possible, in proportion to their respective abilities. Other items of national expence are not so obviously for the benefit of the commonwealth as a whole. The burden of these items may, therefore, reasonably be borne in part by the particular persons who cause the expence, or get the initial benefit

of it. Such items are the administration of justice, local or provisional outlays, turnpikes, educational or ecclesiastical institutions, etc. The general revenue of the society, over and above defraying the expence of defending the society, and of supporting the dignity of the chief magistrate, must make up for the deficiency of many particular branches of revenue.[15]

Recurring to a point mentioned above, the reader will probably have noticed that the schedule of reasons for appropriating public expenses between the commonwealth and certain more interested or responsible members of the state, hardly bore the evidence of completeness. One need not be an expert in higher criticism to be tolerably confident in the opinion that Smith was not thoroughly clear in his own mind as to what he was trying to do in the chapter. It contains a number of incoherent ventures in general social philosophy. Among them the least successful was the excursion into administrative philosophy, in which he attempted to outline a scheme of apportioning civic expenses. His program stimulates the expectation that he will try to probe the subject thoroughly. He disappoints this hope ignominiously. His treatment of the subject is altogether sophomoric. With the exception of the six reasons scheduled above, he

[15] II, p. 341.

avoids the problem altogether, and has recourse to the diversions in general social philosophy which we have reviewed.

But is it not finical, and even self-contradictory, to begin with laudation of Adam Smith for casting his whole conception of life within a framework of general moral philosophy, and to end by reproaching him for applying his economic technology to concrete moral situations? Yes; if that were what is meant by the foregoing criticisms, they would be both inconsistent and petulant. That is not what is meant. The criticism just passed is not an objection to the application of economic technique to decisions about complex questions of public policy. The objection is to confusion of the technical economic factors in questions of policy with other factors; and especially to premature waiving of the necessary social analysis, and substitution of miscellaneous generalization for analysis of the social factors to the limit. The question, for example, of the type of educational or religious establishments most conducive to the welfare of a nation is an altogether broader question than can properly be discussed on the mere basis of a theory of public finance. Each of these questions presupposes preliminaries which involve the whole scope of sociological theory. The problems of

public revenue are factors in such a theory, but they are only factors. They are not the comprehensive theory itself. Logically, therefore, there is no more justification for interpolating the passages to which objection has been taken in a treatise on national revenue than there would be for smuggling them into a treatise on military and naval strategy, or for an excursus on the latter subjects in the discussion of the main question of public support of the military system. We maintain armies and navies partly to defend schools and churches, just as we maintain national revenue systems to furnish schools and churches with supplies. Questions of academic and ecclesiastical administration, however, are thrust altogether out of proportion and perspective, if they are made corollaries either of fiscal or of military theory.

Chapter II of Book V returns to distinctly technological method. It is, however, primarily descriptive rather than constructive. Its subject is: "The Sources of the General or Public Revenue of the Society." The substance of Part I of the chapter may be compressed into these propositions:

> The revenue which must defray, not only the expences of defending the society and of supporting the dignity of the chief magistrate, but all the other necessary ex-

pences of government, for which the constitution of the State has not provided any particular revenue, may be drawn either, first, from some fund which peculiarly belongs to the sovereign or commonwealth, and which is independent of the revenue of the people; or, secondly, from the revenue of the people.

The funds or sources of revenue which may peculiarly belong to the sovereign or commonwealth must consist, either in stock, or in land. The sovereign, like any other owner of stock, may derive a revenue from it, either by employing it himself, or by lending it. His revenue is in the one case profit, in the other interest.[16]

Public stock and public lands, therefore, the two sources of revenue which may peculiarly belong to the sovereign or comomnwealth, being both improper and insufficient funds for defraying the necessary expence of any great and civilized state; it remains that this expence must, the greater part of it, be defrayed by taxes of one kind or another; the people contributing a part of their own private revenue in order to make up a public revenue to the sovereign or commonwealth.[17]

Throughout Book V, and notably in Part II of Chapter II, it gradually becomes plain that the whole basis of discussion has shifted from the purely economic, and has become the economic *plus*. Is that *plus* merely administrative expediency? Is the criterion of judgment which Smith applies merely a composite of economic and civic utility? Is the standard remotely and vaguely in

[16] II, p. 342.

[17] II, pp. 350, 351.

view economic and civic, with a further unformulated *plus* which is more intimately human?

I am inclined to think the third alternative is nearest the truth. It is certain that Smith does not pass judgment upon revenue devices solely for their bearing upon the production of national wealth. That is, the strictly and exclusively economic criterion with which the treatise started has been consciously or unconsciously retired, and a multiple criterion has taken its place. It is evident, too, that questions of administrative convenience are permitted now to turn the scale for or against possible programs. These are brought into a sphere of civic economy which overlies the sphere of productive economy, and sometimes vetoes maxims of conduct which productive economy alone would enforce.[18] There also

[18] *The Wealth of Nations* enthält eine Oekonomik und eine Politik, und es gehört zu den auffallendsten Thatsachen der Geistesgeschichte, dass man diesen letzteren Umstand bisher so gut wie ganz übersehen oder besser ignorirt hat" (Oncken, *Smith und Kant,* p. 14).

In the next paragraph Oncken continues: "Zwar umfasst die Smith'sche Staatslehre nur das letzte der fünf Bücher, aus welchen das ganze Werk besteht, aber dieses Buch füllt nahezu den dritten Theil des *Wealth of Nations* aus und enthält eine ausführliche Darlegung und Beurtheilung einerseits der Staatszwecke in ihren einzelnen Richtungen und andererseits der Staatsmittel. . . . . Wir haben es dabei mit einer abgerundeten Staatslehre zu thun, die nach eigenen von der Volks-

hovers on the horizon a range of relations which are neither definitely economic nor civic. They have certain imperatives of their own which vaguely interpose themselves in estoppal of purely economic or civic programs, although they do not come out fairly into the open and give a distinct account of themselves. In these latter considerations the more widely moral in Smith's concep-

wirthschaft unterschiedenen Gesichtspunkten gegliedert ist und eine Höhe des Standpunktes einnimmt, wie sie in manchen Dingen noch kaum von der Gegenwart (1877) eingeholt worden ist, ein Umstand, der vielleicht gerade die Schuld tragt, dass die Theorie bisher keine grössere Beachtung gefunden hat." Oncken seems to me to have judged Book V more favorably than it deserves. Smith had simply not thought through the distinctions that separate the problems of economics from those of civics; or, if he had, he did not organize his material accordingly. The fact that nearly one-half of the *Lectures on Justice*, etc., was virtually a preliminary sketch of *The Wealth of Nations* might perhaps have been cited by Oncken, if the book had appeared before he wrote, in support of his interpretation. It is, however, on the whole, in my judgment, evidence in favor of my view.

I am not so much inclined to take issue with Oncken's astute suggestion that the title of Smith's work should properly have been: "An Inquiry into the Nature and Causes of the Wealth *and Power* of Nations." This suggestion is prompted by Smith's definition of political economy, Book II, Chapter V: "The great object of the political economy of every country is to increase the riches *and power* of that country." Granted that the inference is valid, my contention, that analysis of the problems was only in embryo in Smith's thought, and in the plan of the treatise, is all the stronger.

tions is vaguely asserting itself, but the fact of the assertion and its implications are too indefinite to make a decisive impression. We have a case of a more particular abstraction feeling its way toward correlation with a more general reality. Meanwhile the resultant is a predominant tendency to express the reality in terms of the abstraction rather than the reverse. This tendency held the balance of power, and still holds it, but there are credible signs that the balance of power is rapidly passing from the party of abstraction to the party of reality.

It is impossible to decide how much of Book V, Part II, Chapter II, is an exemplification of each of the tendencies above indicated. They are traceable in it in uncentered confusion. The fact is that we have in this chapter, not science of any sort, in the strict sense, but merely that more or less organized description of phenomena which is the necessary preliminary of science. The generalizations have the value of more or less probable hypotheses, and they foreshadow the differentiation of the various divisions of social science which shall be competent to test all the terms of the hypotheses.

Part II of Chapter II treats of *taxes*. As was intimated above, it is not to be regarded as the outline of a theory of taxation, whether the

author intended it for that or not. It turns out to be, in effect, principally a preliminary essay giving an account of different forms of taxation. The animus of the chapter may be gathered from the opening paragraph:

> The private revenue of individuals, ... arises ultimately from three different sources: Rent, Profit, and Wages. Every tax must finally be paid from some one or other of those three sorts of revenue, or from all of them indifferently. I shall endeavour to give the best account I can, first, of those taxes which, *it is intended,*[19] should fall upon rent; secondly, of those which, *it is intended,* should fall upon profit; thirdly, of those which, *it is intended,* should fall upon wages; and, fourthly, of those which, *it is intended,* should fall indifferently upon all those three different sources of private revenue. The particular consideration of each of these four different sorts of taxes will divide the second part of the present chapter into four articles, three of which will require several other subdivisions. Many of those taxes, it will appear from the following review, are not finally paid from the fund, or source of revenue, upon which it was intended they should fall.[20]

In spite of the qualification just made, the chapter lays down four "maxims with regard to taxes in general." They corroborate what was said above about the extension of Smith's vision beyond the orbit of his precise analysis. Although

[19] I have italicized this phrase because it must be commented on presently.

[20] II, p. 351.

they are not supported, so far as his own work goes, by a critical examination of the whole sociology of taxation, they have exerted a lasting influence upon the development of doctrines of taxation. They are as follows:

I. The subjects of every state ought [*sic*] to contribute toward the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

II. The tax which each individual is bound to pay ought [*sic*] to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid, ought [*sic*] all to be clear and plain to the contributor and to every other person.

III. Every tax ought [*sic*] to be levied at the time, or in the manner in which it is most likely to be convenient for the contributor to pay it.

IV. Every tax ought [*sic*] to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state.[21]

Whence these "oughts"? In no strict sense can the word "ought" belong in the economic vocabulary. It is a term of moral, not of economic, technology. At the same time, taxation is in

[21] II, pp. 351–53. Oncken (*Smith und Kant*, pp. 247–50) attempts to show that these four rules are substantially in Montesquieu, *Esprit des lois*, Lib. XIII. In the same connection (p. 246) Oncken remarks: "Diese vier Regeln sind seitdem in allen Werken der Finanzwissenschaft als fundamentale

no strict sense simply an economic process. It is a function of the total life of the people. "Ought" art, science, religion, to be taxed? If so, why? If not, why not? These are questions of the most inclusive social philosophy. It is impudent for economics alone to presume to answer them. It is highly improbable that Smith supposed his "oughts" got their force from his economics alone. He was more or less consciously and deliberately mobilizing in them his whole moral philosophy. He virtually asserted in them: "All that I know about social relations in general combines to declare that these things ought to be in a righteous system of taxation." Here, then, is another occasion for reiterating one of my principal theses about the relation of Adam Smith to later social theory. He realized in the beginning, and after his epoch-making concentration for a time upon pure economic theory he came back of necessity to practical profession, that human conduct is a plexus of moral relations. The implications of

Gesichtspunkte aufgeführt worden, aber sie sind in der selben unentwickelten Gestalt geblieben wie bei Smith selbst. Sie stehen ganz isolirt für sich da und sind so auch weiter geführt worden, merkwürdigerweise als das Einzige was von der Smith'schen Finanzlehre überhaupt eine nachträgliche Beachtung gefunden hat." Perhaps I have sufficiently hinted below why the last fact noted is not at all surprising.

all these relations, not merely of an abstract series of them, must be found out, in order to establish a working theory of conduct. Economic theory did not at once take its cue from this broad conception. It overemphasized the value of economic theory by underestimating the value of the other sets of relationships in society. This arrested development occupied nearly a century, before the moral argument latent in Adam Smith's philosophy began to make its impression in the methods of the sociologists. Smith himself seems to have reached the limits of his impulse to work out a concrete moral philosophy in a description of different schemes of taxation, with some incidental judgments about the better or worse workings of the plans. It might be charged that Smith actually attempted something more constructive than this. It is quite possible to interpret the rest of the discussion of taxes as a thoroughly doctrinaire attempt to justify a definite program of taxation. There is plenty of evidence that the descriptive and historical form was merely a thin veil for a firm dogmatic substance. I prefer to give him the benefit of the doubt, especially as, in either case, his type of work was in effect merely a display of the need of more critical and differentiated science. In his standards of judgment various types of

criteria were evidently combined. He introduces his sketch of taxation systems in the following paragraph:[22]

> The evident justice and utility of the foregoing maxims[23] have recommended them more or less to the attention of all nations. All nations have endeavoured to the best of their judgment, to render their taxes as equal as they could contrive; as certain, as convenient to the contributor both in the time and in the mode of payment, and in proportion to the revenue which they brought to the prince, as little burdensome to the people. The following short review [*sic*] of some of the principal taxes which have taken place in different ages and countries will show, that the endeavours of all nations have not in this respect been equally successful.

All the general criticisms which have been passed on Book V, Chapter II, apply with equal pertinence to Chapter III, the last in the book, "Of Public Debts." It is mainly a continuance of the subject of public revenues. It is primarily descriptive rather than systematic. It does not clearly discriminate between economic and moral effects. It does not stick to the subject. It includes a passage on debasement of the coinage. It returns to the subject of taxation, and even to the methods of exploiting the colonies. It discusses the use of paper money, and it raises the Irish question.

[22] II, p. 354.

[23] I. e., morals on the one hand, and economics on the other.

VIII

CONCLUSION

If logic and a deliberate methodology ruled the world, or even the supposedly intellectual part of it, Adam Smith would have been as immediately, if not as intensely, influential upon concrete moral philosophy, or sociology, as he was upon economics. There is a good deal of plausibility in the Marxian version of the reasons why logic did not have its perfect work in the social theories of the century following the publication of *The Wealth of Nations.* The Marxian explanation, however, falls very far short of the whole psychology of the events. The fact remains that Smith set a new standard of inquiry into the economic section of the conditions of life, while life presented itself to him as, on the whole, a moral affair, in which the economic process is logically a detail. The further fact remains that all the consistencies of logic enjoined analysis of the whole process which human experience composes, so that knowledge of all the antecedent conditions and constituent processes of life might become as positive as the knowledge of economic technology which

Smith set a new pace in acquiring. The third fact remains that a suspensive veto, analyze it how we will, held that wider moral science pretty effectually in check for a century. It was in embryo in Adam Smith's moral philosophy. The need of it was encountered in his doctrinizings about social relations which were more than economic. Men's interests in these wider social relations were too weak effectively to divert attention from all that immediately pertained to wealth. This diagnosis applies throughout the century following Adam Smith. Men so focalized the wealth interests that all other interests became relatively invisible.

If rhetoric which confessedly recalls the flickering fame of the late Mr. Joseph Cook may be employed to express the situation, the social sciences were still a metaphysical *Bastille* which could be destroyed only from within. Mental revolt had pierced a few observation-slots through the inner walls of the prison, and had sapped and mined parts of the outer inclosure. Although we can now see that the structure founded on the Thomasian theology was crumbling, it still effectually immured knowledge. The series of assaults, beginning with Descartes, continued in the line of Locke and Hume in England, of Wolff and Kant in Germany, had widened the

outlook breaches, to be sure, but had also partially filled them with intellectual débris. Psychology was still more speculative than positive. Ethics was metaphysical rather than inductive. Sociology, so far as it had been extemporized by the struggle for liberty, was uncentered and individualistic, with only a faint premonition of the social reality. Not until physical science and psychology and ethics became fully self-conscious could they together develop force enough completely to raze the dogmatic dungeon, and to found in its place a free republic of moral philosophy.

Dropping the figure, we may say literally that it was too much of a task for the interpreters of human experience to develop at once the full logical implications of the progressive principles imbedded in Adam Smith's system. The reconstruction on the physical side that is symbolized by the name of Darwin was an indispensable aid. Psychological analysis, taking a new start with Hegel's *Phänomenenologie des Geistes,* had to establish intellectual self-confidence and to supply a critical technique. Not least important, perhaps, the little group of Benthamites, even more ignorantly feared and more arrogantly misrepresented as utilitarians than as economists, were needed to break the monopoly of the superstitions

which were estopping real investigation of the origin and standards of our moral valuations. After the way had been prepared, and the critical apparatus had been invented for that program of ethical judgment which I have called telicism,[1] the line of march could once more be resumed. The fulness of the times had come for co-ordination of the most matter-of-fact economic technology with a thoroughly objective sociology, within the horizon of a valid moral philosophy. We are entering a period in which judgment of social relations is to operate in full vision of this larger and truer perspective.

It is therefore not fanciful to repeat in substance the proposition with which this inquiry began, viz.: *Modern sociology is virtually an attempt to take up the larger program of social analysis and interpretation which was implicit in Adam Smith's moral philosophy, but which was suppressed for a century by prevailing interest in the technique of the production of wealth.*

[1] *General Sociology*, pp. 669–84, *et passim*.

INDEX

A

Agricultural systems of political economy, Smith's views of, 202 ff.
Analysis vs. synthesis, v
Anderson, J. P., bibliography of A. Smith, 34, 65
Approbation, place of, in Smith's theory, 46, 50, 82
Argument of this book, 21, 24, 66, 77, 155 ff., 196 ff., 238
Arts and Science, Congress of, v, 64

B

Bacon, Lord, 28
Bagehot, W., on *The Wealth of Nations,* 61, 67, 68, 70 ff., 77, 101, 103, 104, 183
Bax, E. B., edition of *The Wealth of Nations,* 65
Bellamy, E., 86
Bentham, J., 204, 237
Böhm–Bawerk, E. von, 141, 159
Boisguillebert, P. L. P. de, 195
Bonar, J., 29
Burke, E., 26
Butler, W. A., 27

C

Cannan, E., edition of Smith's lectures, 26, 59, 204
Cantillon, R., 195
Cook, J., 236
Capital, economics and sociology of, 155–80
Capital, ways of employing; Smith's classification, 176 ff.
Capitalism, genius of, 2
Capitalists, Smith's suspicions of, 153, 154

Capitalists, social justification of, 129
Capitalization or consumption, Smith's doctrine of, 168 ff.
Capital vs. labor, economic not social antithesis at Smith's time, 100, 128
Classical economics, 4, 10, 16, 23, 24, 67 ff., 147; assumption of paramount worth of wealth, 148, 199; defection of, from Smith's moral standards, 139, 148; statical presumptions of, 138, 200 ff.; vs. democracy, 145 ff., 215; vs. socialism, 131, 143 ff.; vs. social philosophy, 148
Communist manifesto, 110
Congress of arts and science, v
Consumption vs. capitalization, Smith's doctrine of, 168 ff.
Consumption vs. production, 3, 79
Cossa, L., 28, 64
Customary price vs. "natural" price, 122 ff.
Customary vs. natural rights, 123 ff.

D

Darwin, C., 57, 237
Debts, public, Smith's views on, 233
Democracy vs. classical economics, 145 ff.; vs. privilege, principle at issue between, 123 ff.; vs. property, 153
Descartes, 28, 40, 236
Distribution, social problem of, 166
Dividends, Smith's denial that they are reward of labor, 118, 150
Division of labor, effects of, 85 ff.
Dyer, L., 64

E

Economic history, methodological relations of, 17–19
Economics, literature of, 64

Economics and sociology, vi, vii, 3, 8, 10, 14, 23, 64, 65, 77, 144 f., 146, 156, 196 ff., 209 ff., 218 ff., 223, 232, 235 ff.
Economic theory, necessary reconstruction of, 179, 180
Economic vs. sociological interpretation of history, 181–87
Economists, early; humane purpose of, vi
Economists, have they regarded themselves as competent guides of conduct, 72
Entail, historic reasons for, 185
Epictetus, 39
Equality of endowments, Smith's theory of, 93

F

Finance, national, methodological relations of, 20
Finance, Smith's doctrines of, 28
Fisher, I., 160

G

George, H., 143
German vs. English economics, 10
Germany, policy of, with respect to "unearned increment," 151
Gournay, J. C. V. de, 195
Grotius, H., 28

H

Haldane, R. B., 34, 53, 65
Hamilton's edition of D. Stewart's works, 25
Hartley, D., 27
Hasbach, W., 5, 27, 28, 29
Hegel, G. W. F., 113, 237
Hirst, F. W., Life of A. Smith, 26, 35, 39, 61, 62
Hobbs, T., 28, 104
Hume, D., 27, 28, 34, 37, 236
Hutcheson, F., 27, 28

I

Impartial observer, Smith's theory of, 39, 63
Inequality, Smith's theory of social responsibility for, 93
Ingram, J. K., 47, 64
Interest, Smith's justification for, 176

J

James, E. J., 64
Justi, J. H. G. von, 28
Justice, means of defraying costs, 212 ff.
Justice, Smith's theory of, 54, 55, 59

K

Kant, I., 29, 211, 236
Kidd, B., 86

L

Labor as norm of value, Smith's views of, 104 ff., 127, 140, 149 ff., 203
Labor as title to income, Smith's views, 174 ff.
Labor, economics and sociology of, 79–154, 203
Labor vs. capital, economic not social antithesis at Smith's time, 100, 128
Laborers, Smith's views about their defective attention to their own interests, 150, 153, 154
Laissez-faire doctrine, fallacy of, 186 ff.; meaning of, 154, 186, 187, 191 ff.; Smith's relation to, 215
Landlords, social justification of, 129, 150
Le Play, 76
Leslie, T. E. C., 11, 181
Li Hung Chang, 94
Locke, J., 236

M

Mallock, W. H., 86
Malthus, T. R., vii, 18, 134

Manchester School, 32
Marginal theory, 102
Market vs. natural price, Smith's theory of, 121 ff.
Marx, K., 98, 99, 100, 107, 110–13, 116, 126, 128, 130, 131, 132, 137, 146, 235
McCullock, J. R., 198
Mercantilists, Smith's views of, 189 ff., 201 ff.
Mill, J. S., vii, 11, 12, 21, 55, 56, 69, 72, 98, 139, 171, 182
Millar, J., 32
Miller, A. C., 64
Money, Smith's theory of, 95 ff., 193 ff.
Montesquieu, C., 28, 33, 230
Moral judgments, Smith's theory of sources, 46
Moral philosophy, non-social in eighteenth century, 48
Moral philosophy, relation to the social sciences, viii, 3, 4, 8, 11, 15, 20, 22
Morals, problem of, 56
Mun, T., 192

N

Natural vs. customary rights, 123 ff.
Natural vs. market price, Smith's theory of, 121 ff.
Neurath, W., 62

O

Oncken, A., 5, 29, 60, 226, 230

P

Parsimony, Smith's theory of, 172 ff.
Persons, the central concept in social science, 4
Physiocrats, Smith's relation to, 14, 28, 195
Plato, 206
Political economy, Smith's dictum of object, 227
Price, Smith's theory of, 97 ff., 116 ff.

Privilege vs. democracy, principle at issue between, 123 ff.
Problems of economics and sociology, 189–208
Process, social, 156
Production vs. consumption, 3, 79
Profits, antithetic assumptions of capitalism and socialism, 113 ff.; need of conclusive theory of, 114; Smith's theory of, 134 ff., 157 ff.; vagueness of the concept in Smith's theory, 111
Propensity to barter, Smith's theory of, 90
Property rights, failure of economists to analyze, 132
Property, sociological view of, 137; vs. democracy, 153
Propriety, meaning of, in Smith's theory, 38
Psychology, speculative character of, at Smith's time, 237
Public works, means of sustaining, 214 ff.
Pufendorf, S. von, 28

Q

Quesnay, F., 195

R

Rae, J., Life of Adam Smith, 26
Raphael, school of Athens, 157
Rectitude, synonymous with "propriety" in Smith's theory, 38
Religious institutions, means of supporting, 219
Rent, Smith's theory of, 116 ff., 142 ff.; social problem of, 144 ff.
Revenue, public, sources of, 224 ff.
Ricardo, D., vii, 72, 131, 142, 143
Roscher, W., 28
Ruskin, J., on economists, 61 ff.

S

Schiller, J. C. F. von, 63
Senior, N. W., 172

Service, the social basis for rights, 132
Shaftesbury, A. A. Cooper, third earl of, 27
Simmel, G., 103
Skarzynski, W., 60
Small, A. W., *General Sociology*, 238
Smith, A., vi, vii, viii, ix, 2, 4, 5, 6, 10, 77, 81, 155; analysis of his philosophy, 9, 32 ff., 65, 66; as object-lesson in sociological methodology, 65; Bagehot's criticism of, 67 ff.; biographies of, 25 ff.; concept "natural," 14; dictum that corporations cannot become economically efficient, 217; foolish prophecy about America, 178, 179; Ingram's estimate of, 47; labor theory of, 6, 203; lectures on jurisprudence, 59, 84, 204 ff., 227; looseness of his argument in latter portion of *The Wealth of Nations*, 208 ff., 216 ff., 218 ff., 222, 225, 233; main question in *The Wealth of Nations*, 8; methodology of, 20, 28, 29, 181 ff.; moral philosophy of, 32 ff., 40 ff., 45, 48, 52 ff., 57–59, 61 ff., 81, 148, 197, 230 ff.; relation to individualism, 51; relation to *laissez-faire* doctrine, 154, 215; relation to metaphysics, 34; relation to modern economists, 179 ff.; relation to psychology, 48, 51; relation to socialism, 7, 65, 98 ff., 108 ff.; relation to sociology, 167, 230 ff.; relation to utilitarians, 34, 51, 204 ff.; sources of information about, 25–77; static preconceptions of, 56, 107 ff., 125 ff., 148, 149, 160; theory of capital, 15; theory of consumption, 6; theory of ethics, 35 ff.; theory of justice, 54, 55; theory of moral sentiments, 26, 33, 35, 40 ff., 46, 49, 59, 60, 70, 71; theory of taxation, 228 ff.; views of object of political economy, 227
Socialism, a reaction from eighteenth-century political philosophy, 207; not pre-eminently social, 126; vs. classical economics, 131, 143 ff.

Socialists of the chair, Oncken's confusing of Smith with, 30
Social variants of economic forces, 135 ff., 184 ff., 191 ff.
Sociological vs. economic interpretation of history, 181–87
Sociologists, true successors of Adam Smith, 4
Sociology and economics, vi, vii, 3, 8, 10, 14, 23, 64, 65, 77, 144 ff., 146, 156, 196 ff., 209 ff., 218 ff., 223, 232, 235 ff.
Sociology, vagueness of, at Smith's time, 237
Sombart, W., 1, 92
Sovereign, means of supporting, 221
Sovereign, Smith's use of the concept, 209 ff.
Sovereignty, Smith's use of the concept, 204 ff.
Spencer, H., 57, 86, 152, 212, 215
Stein, H. F. K., 28
Stewart, J., 29
Sympathy, place of, in Smith's theory, 38 ff., 46-48
Synthesis vs. analysis, v

T

Tarde, G., 86
Taxes, Smith's doctrines of, 228 ff.
Telicism, 238
Thomas, W. I., 86
Thomasius, 236
Turgot, A. R. J., 26

U

Umpfenbach, K., 28
Utilitarianism, Smith's affinity with, 204 ff.

V

Value, theory of, 55, 56, 96 ff.
Von Mohl, R., 189, 210

W

Wage-fund theory, 133
Wagner, A., 28, 31
Walker, F., 218
War, methods of defraying costs, 210 ff.
Wealth, a fragmentary concept, 156, 199
Wealth as a social factor, Smith's views of, 104
Wealth of Nations, viii; an inquiry in sociology, 1, 3, 4, 8, 11 ff., 59, 60, 63, 66, 77; epitome of, 84 ff.; primarily a technological treatise, 66, 79, 84, 90, 95, 120, 135, 167
Webb, S., 86
Wolff, C., 28, 236

DATE DUE

MAY 5 1971

NOV 5 '71

JUN. 16 1983

STORAGE

GAYLORD

PRINTED IN U.S.A.

Small, Albion W.
Adam Smith and
modern sociology.

HB
103
S64
S6

9504

Date	Issued to
MAY 5 1971	[illegible]
NOV 5 '71	Dan Cost 3100 Kirwan Dr.
JUN. 16 1983	STORAGE

9504

Small, Albion W.
Adam Smith and
modern sociology.

HB
103
S64
S6